MOTION FOR LIFE

2020 UNIVERSAL REGISTRATION DOCUMENT

INCLUDING ANNUAL FINANCIAL REPORT,
NON-FINANCIAL PERFORMANCE STATEMENT,
DUTY OF CARE PLAN

CONTENTS

2020

UNIVERSAL REGISTRATION DOCUMENT

This document is a free translation of the original French language version. In case of discrepancies, the French version shall prevail.

The French language version of this Universal Registration Document was filed on April 9, 2021 with the French securities regulator (*Autorité des marchés financiers* – AMF), as the competent authority under Regulation (EU) 2017/1129, without prior approval in accordance with Article 9 of said Regulation.

The Universal Registration Document can be used when securities are offered to the public or for their admission to trading on a regulated market if it is completed by a note on the securities and, if applicable, a summary and all of the amendments made to the Universal Registration Document. The package is approved by the AMF in accordance with EU Regulation 2017/1129.


HYDROGÈN

.01 CONTENTS

GROUP PRESENTATION AND STRATEGY

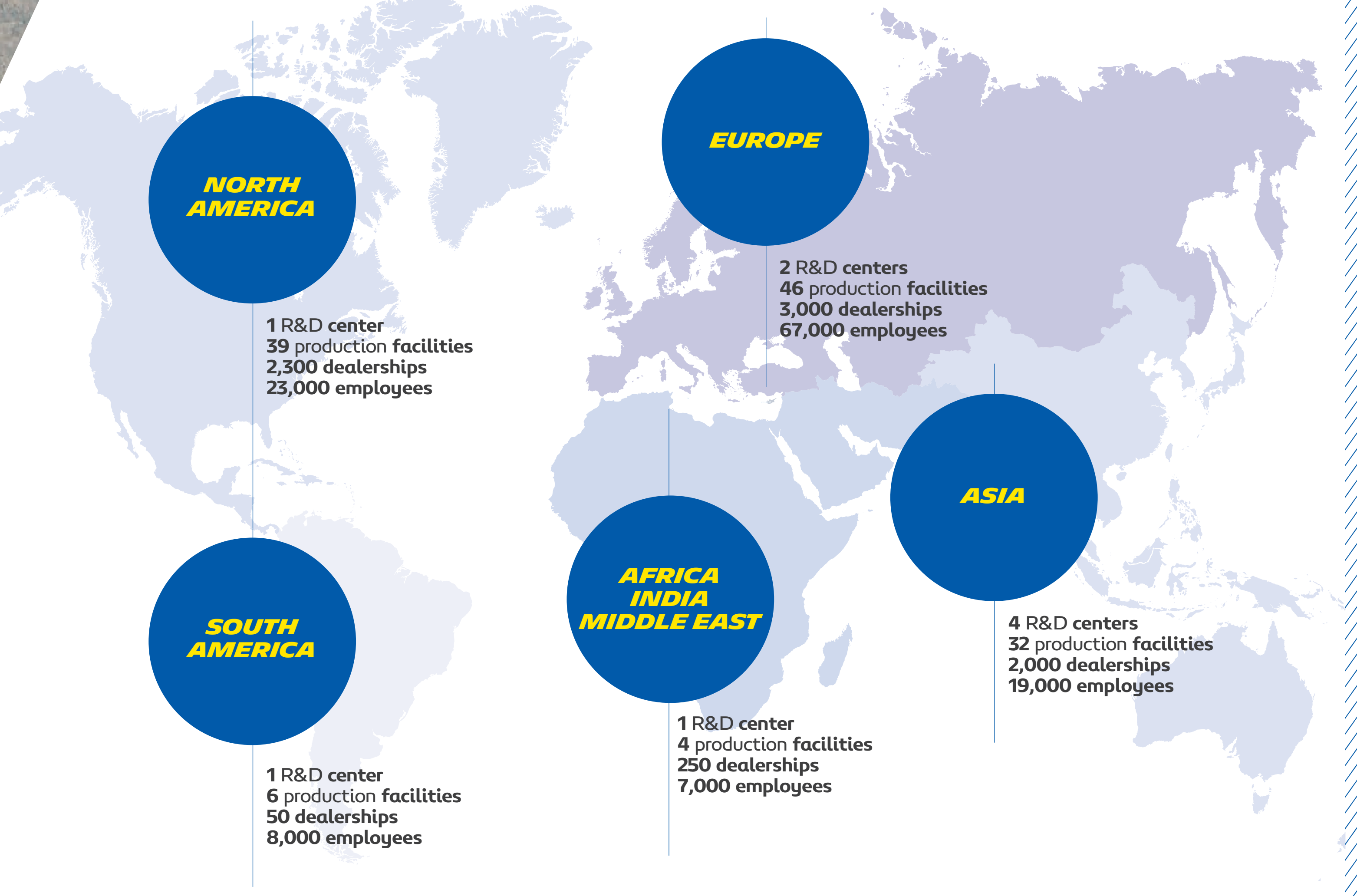
MOTION FOR LIFE

Motion is the very essence of life. At Michelin, we believe that nothing can stop us from moving. Offering everyone a better way forward is our corporate mission. Our "All Sustainable" approach is constantly driving us to find solutions that foster an optimal balance between personal fulfillment, economic development, and protection of the planet and its inhabitants. Leveraging our unrivaled capabilities, we innovate to help humanity conquer new frontiers for a better life in motion.

The technology leader in tires for all forms of mobility, Michelin offers services that improve transportation performance and solutions that enable customers to enjoy outstanding experiences unique moments during their journeys and travels. In addition to mobility, Michelin is leveraging its exceptional know-how and expertise in high-tech materials in emerging markets.

A GLOBAL FOOTPRINT

- 124,000 PEOPLE IN 170 COUNTRIES
- €20.5 BILLION IN SALES

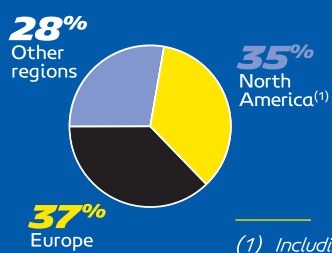


R&D
6,000 people in **9** countries

PRODUCTION
117 facilities in **26** countries

DEALERSHIPS
7,600 proprietary or franchised centers in **30** countries

2020 SALES



(1) Including Mexico.

PIONEERING, SUSTAINABLE, INNOVATIVE, RESILIENT FOR 132 YEARS

In 132 years, Michelin has lived through two world wars, three stock market crashes and four major economic crises. Inspired by this heritage, the Group and its teams are focusing all their energy and talent on overcoming the Covid-19 crisis and preparing for the post-pandemic world.

PIONEERING

- **1889** André and Édouard Michelin take over a factory making farm machinery and rubber balls in Clermont-Ferrand. They develop the world's first removable bicycle tires that can be repaired in just 15 minutes (1891).
- **1895** Foreseeing the future of road transportation and the benefits of rubber technology, the Michelin brothers build the first automobile to ride on pneumatic tires. The idea will soon catch on.
- **1906** Michelin begins to expand internationally: Italy and the United Kingdom (1927), Germany (1931), Spain (1934), Canada (1971), the United States (1975), Brazil (1981), China (1985), Thailand (1988), Eastern Europe (1995), India (2013) and Indonesia (2019).
- **1960** To widen its market access, the Group expands into dealer networks and services, acquiring ATS, Euromaster (1991) and Black Circles (2015) in Europe, TBC in North America in partnership with Sumitomo (2018) and Tyreplus in other regions (2002).
- **2012** A pioneer in connected tires, Michelin broadens its digital services to fleet operators with the acquisitions of Sascar (2014), NexTraq, (2017) and Masternaut (2019).
- **2014** Building on its investments in hydrogen fuel-cell R&D over the preceding 15 years, Michelin strengthens its position in hydrogen mobility with Symbio, which will become a joint venture with Faurecia in 2019.
- **2016** Leading the way in 3D printing, Michelin creates AddUp with Fives to market the expertise acquired in its core business to other industries.
- **2020** Michelin steps up its innovation in sustainable materials research, with a focus on recycling technologies, by investing in strategic partnerships with Enviro, Carbios and Pyrowave.

SUSTAINABLE

1990 SIDE (since renamed Michelin Development) is formed to support business start-ups and job creation in the Group's host communities.

1992 The MICHELIN Energy line is introduced, offering the first low rolling resistance tires that reduce fuel consumption.

1998 Michelin creates Challenge Bibendum (renamed Movin'On in 2017), the leading innovation ecosystem dedicated to sustainable mobility for everyone, and its Movin'On Summit, the worldwide sustainable mobility summit.

2002 Michelin launches its Performance and Responsibility approach in a commitment to improving its performance in fulfilling all of its financial, environmental and social responsibilities.

2014 The Michelin Foundation is set up to support innovative projects aligned with Michelin's humanist culture and values of respect.

2014 To address the challenges of resource depletion and end-of-life product management, Michelin actively engages in the circular economy through its "4R Strategy" to Reduce, Reuse, Recycle and Renew.

2016 A Corporate Stakeholders Committee is created to structure stakeholder dialogue with the Group Executive Committee.

2020 The Supervisory Board forms a Corporate Social Responsibility Committee (CSRC) to assess the Group's policies and performance in addressing this issue.

INNOVATIVE

1899 Fitted with Michelin tires, the all-electric "*Jamais Contente*" breaks the 100 km/h speed barrier.

1900 Michelin publishes the Red Guide, the first reference guidebook for motorists.

1946 Michelin files a patent for the radial tire, which delivers revolutionary robustness and long-lasting tread life. Over the years, it is engineered for use on trucks (1952), earthmovers (1959), aircraft (1981) and motorcycles (1987).

1995 The space shuttle lands on Michelin tires.

2003 Michelin launches AxioBib, a variable pressure tire for farm machinery that protects crop soil.

2017 Michelin unveils its Vision concept, a fully connected airless tire made from recycled and biosourced materials. Its tread can be replenished by a 3D printer as needed or to adjust to changing road conditions.

2019 Michelin presents Uptis, a robust airless, puncture-proof car tire developed with General Motors.

RESILIENT

1914 During World War I, Michelin converts to aircraft production.

1945 Bombed in 1944, the Cataroux plant in Clermont-Ferrand is rebuilt and modernized.

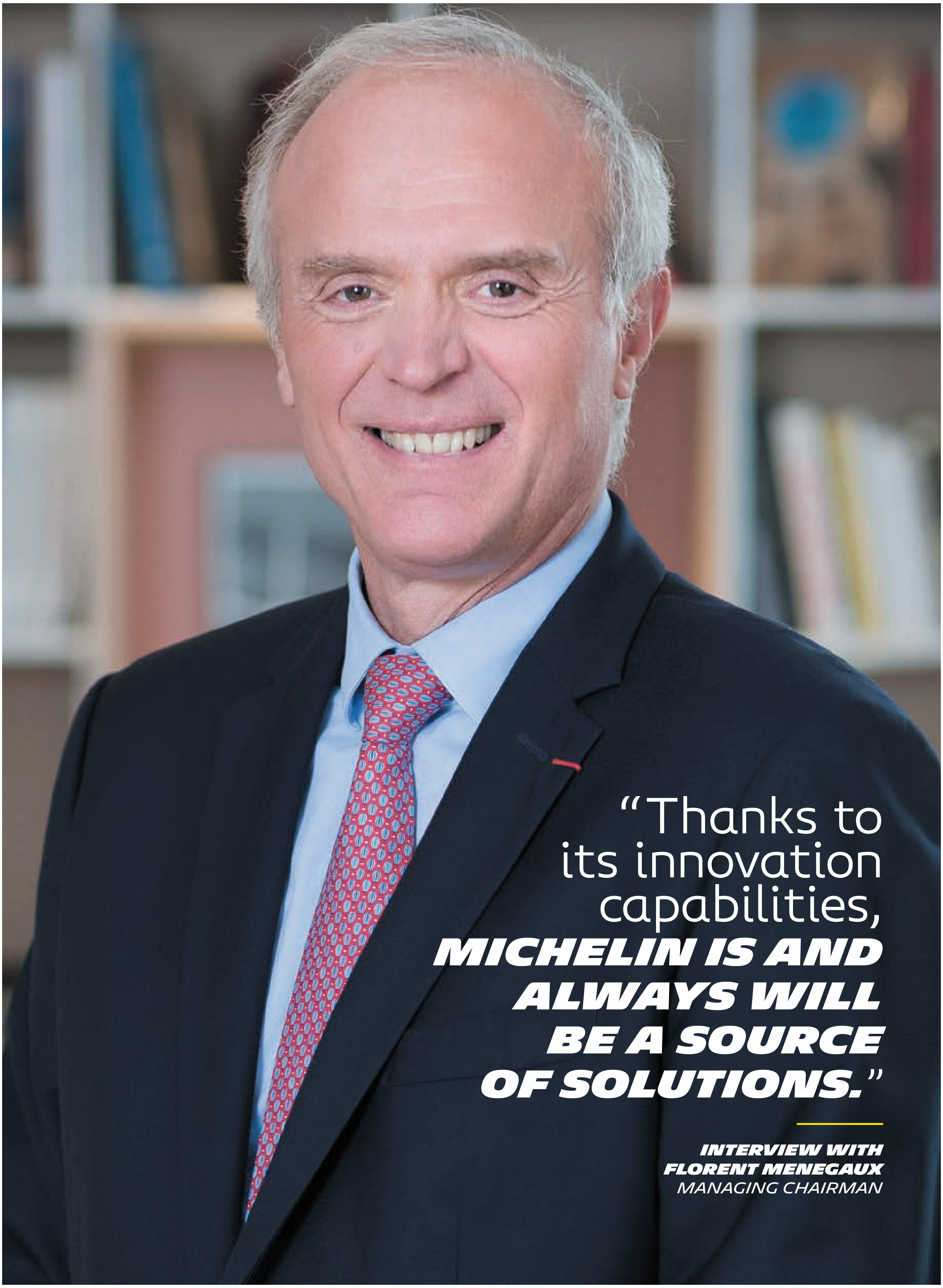
1974 The booming popularity of radial tires drives a 20% increase in annual sales.

2000 Bibendum, created in 1898, is voted the "best logo of the 20th century" by the Financial Times.

2009 Michelin responds very quickly to the steep collapse in demand to conserve cash, while continuing to expand and specialize its plants.

2018 Michelin broadens its business base with Camso, a leader in tracks and solid tires, and Fenner, a specialist in reinforced polymer products.

2020 Michelin demonstrates its agility in responding to the Covid-19 crisis by deploying its expertise to support people, while maintaining its solid financial position.


"Thanks to its innovation capabilities, **MICHELIN IS AND ALWAYS WILL BE A SOURCE OF SOLUTIONS.**"

INTERVIEW WITH FLORENT MENEGAUX
MANAGING CHAIRMAN

How did Michelin respond to the Covid-19 crisis?

FLORENT MENEGAUX — We responded promptly in a spirit of solidarity. Our production plants in China, our experience during the 2008 financial crisis and our crisis management training all prepared us to respond very quickly to protect our employees and our business operations.

All over the world, our teams have demonstrated a remarkable commitment to helping everyone fight the pandemic, by assisting emergency services, for example, or maintaining essential activities. I would like to commend them all once again.

Lastly, thanks to our investments in the cloud and collaborative applications, we shifted to working from home without any major technical difficulties. Overall, we're weathering this unprecedented global crisis as well as possible.

What has been the impact on the Group's operations and performance?

F.M. — The health crisis and the lockdowns imposed in most countries sharply curtailed economic activity in the first half, causing a steep drop in tire demand. However, demand rebounded quickly in the second half, almost to 2019 levels in certain segments. The Group has demonstrated a great deal of resilience in this unprecedented situation. Our global footprint and diversified business base helped to cushion the shock. Our cost-cutting and financial management measures successfully maintained margin integrity in our operations and strengthened our balance sheet.

Sales ended the year at €20 billion, down 15% due to the 14% decline in volumes and the negative 2.6% impact from exchange rate movements.
Segment operating income amounted to €1.9 billion or 9.2% of sales, versus 12.5% in 2019. This resilience reflects the successful positioning of our products and services, and demonstrates our ability to defend our prices in the more aggressive business environment created by plunging markets. We also pursued our commitment to becoming more competitive with the launch of a simplification and competitiveness plan in France.

Structural free cash flow exceeded €2 billion, a €400 million year-on-year increase attributable not only to our diligent cash management but also to the exceptionally low year-end inventory levels, which are serving temporarily to ensure that our customers receive good service.

"By 2030, tires will account for around ***70% OF THE GROUP'S REVENUE STREAM,*** which will have become much larger in the meantime."

Gearing stood at 28%, reflecting the Group's financial strength and enabling us to recommend the payment of a dividend of €2.30 per share compared with €2.00 for 2019.

Michelin's All Sustainable approach seeks a balance between economic development, personal fulfillment, and safeguarding the planet. How did you respond to people and the planet in 2020?

F.M. — People's health and safety are absolute priorities, as we once again demonstrated in 2020 by taking care to protect all our employees, support our most vulnerable suppliers and customers, and help all our communities around the world. As a result, we saw an improvement in social cohesion, with everyone feeling like they had a role to play in overcoming this together. The employee engagement rate even hit 83%, a two-point increase on 2019.

Among the year's advances was the creation of the Michelin Global Works Council, which will act as a new worldwide forum for social dialogue to pro-actively plan for transformations and support their implementation. Michelin is a living organism that is constantly adapting to its environment. As a company, our responsibility is to improve our performance and develop businesses that can survive and thrive far into the future. That comes with a heavy social responsibility, to work together to find consensus solutions and to support the people and communities impacted by plant closures and job cuts. In 2020, we stepped up employee support initiatives and deployed revitalization programs in Dundee (UK), in Bamberg (Germany), and in La Roche-sur-Yon and Clermont-Ferrand (France), all of which are focused on innovation and green growth.

The La Roche-sur-Yon plant, for example, will be transformed into a sustainable energy innovation cluster.We've also announced the Parc Cataroux project, which will comprise a Talent Factory that will enable everyone, whether a Michelin employee or not, to continuously develop their skills and prepare for the jobs of tomorrow, while fostering closer ties between the private sector and academia.

Concerning the planet, our 2020 objective was to reduce the environmental footprint of our manufacturing operations by 50% compared with 2005. That goal was met, despite the production shutdowns and restarts caused by the health crisis. We also launched MICHELIN e.PRIMACY, the first tire that is carbon neutral at the time of purchase. In-use, it is also the most cost-efficient and environmentally friendly tire in its category and the first for which an Environmental Product Declaration (EPD)(1) has been issued. We pursued our commitment to the circular economy and formed two new partnerships, one with Enviro to recycle end-of-life tires using pyrolysis technology and the other with Pyrowave to produce styrene(2) from plastic waste. Michelin was also appointed coordinator of the European public-private partnership BlackCycle, a major research project to recover resources from scrap tires to make new ones. These projects are helping us to meet our ambitious goal of manufacturing our tires entirely from sustainable materials by 2050.

"For 2050, ***WE'RE AIMING TO MAKE ALL OUR MANUFACTURING, SUPPLY AND LOGISTICS OPERATIONS CARBON NEUTRAL*** and to use only sustainable materials in our tires."

Our objectives for 2030 are ambitious

Exceed an

85%

employee engagement rate and set the industry standard for diversity

Michelin completed its latest five-year plan in 2020. How would you describe the outcomes?

F.M. — We met most of our social responsibility and environmental objectives. Our progress is reflected in our ratings from the leading ESG rating agencies. The Group reported a profit every year from 2016 to 2020 and, as promised, an average 35% of consolidated net income was returned to shareholders over the period.

We innovated and enhanced our offering, with 18-inch and larger tires increasing from 25% to 47% of MICHELIN-brand unit sales between 2015 and 2020. We have realigned and adjusted our manufacturing footprint in response to changing demand and markets. We are now producing closer to our customers following acquisition of Multistrada in Indonesia and ramp-up of the new León plant in Mexico. We are building more resilient local supply chains. We have expanded our dealership presence in every geography, while fostering synergies between brick & mortar stores and online retailers. Digitalization has been deployed across the value chain, where it is driving improvements in agility, efficiency and customer service.

Our competitiveness plans delivered the expected gains, with nearly €900 million in savings before inflation over the 2017-2019 period. In 2020, the health crisis weighed on manufacturing productivity, but we were able to significantly reduce corporate overheads. And we're not finished yet. In January 2021, we launched a three-year simplification and competitiveness plan that concerns all our manufacturing, corporate and administrative operations in France.

"Michelin is a ***LIVING ORGANISM*** that is constantly adapting to its environment."

Lastly, we led an assertive strategy of partnerships and acquisitions to broaden our range of specialties, develop our services and solutions for corporate customers and leverage, in new applications, the high-tech materials expertise we've acquired in our core business. In this way, we're opening up new avenues of growth for the Group, while enhancing the impact of the MICHELIN brand.

In April 2021, you presented the Group's roadmap to 2030[3]. What are its driving forces?

F.M. — We want to generate stronger sustainable growth and create value that is evenly distributed among profit, people and the planet. Our ambitions are strong:

- increase our sales by an average 5% a year as from 2023, once the crisis is over, and deliver a more than 10.5% return on capital employed;
- exceed an 85% employee engagement rate and set the industry standard for diversity;
- demonstrate outcomes on track to meet our 2050 objectives of making all our manufacturing, supply and logistics operations carbon neutral and using only sustainable materials in our tires.

To fulfill this vision, we're expanding our business base in, around and beyond tires. We're going to continue focusing on premium and specialty tires where our technologies make a difference and are highly valued. We're going to expand our portfolio of services and solutions, capitalizing on connected mobility technology and our collected data. We're going to drive faster growth in high-tech materials with major potential, such as high-performance polymers, medical applications, sustainable bio-sourced and recycled materials, metal 3D printing and hydrogen mobility systems.

By 2030, tires should account for around 75% of the Group's revenue stream, which will have become much larger in the meantime, with a better balanced geographic and segment mix in a portfolio of businesses in, around and beyond tires.
The Covid-19 crisis is going to accelerate the transition towards a greener, more virtuous economy. Our Michelin All-Sustainable approach has emerged from it stronger than ever. Michelin stands to benefit from the economic stimulus plans deployed in Europe, the Americas and Asia, whose ultimate goals – zero-emission manufacturing, sustainable mobility, the energy transition, hydrogen power, the circular economy and biomaterials – are resonant with our own. Thanks to its innovation capabilities, Michelin is and always will be a source of solutions.

(1) An EPD quantifies a product's environmental impacts throughout its life cycle. It is verified by a third party.
(2) Styrene is used in particular in the production of synthetic rubber for tires.
(3) www.michelin.com / Finance / Investor Presentations.

COVID-19 CRISIS
PEOPLE HELPING PEOPLE

With its operations in China, where it has been present for more than 30 years, Michelin found itself on the front lines of the Covid-19 crisis. As soon as the pandemic showed signs of spreading, two priorities were defined: safeguard the health and safety of employees and ensure business continuity by any means necessary. In this way, the Group hoped to safely resume operations as soon as possible to limit the financial and jobs impact of the crisis.

PROTECTING THE HEALTH OF EMPLOYEES

In China, production was shut down on January 24, 2020, but was able to resume on February 10 thanks to the deployment of a disciplined health protocol audited and approved by the authorities. This experience was immediately shared with the other regional organizations to help them prepare.

In Europe, the lack of commercially available protective equipment for its employees prompted Michelin on March 15 to close its plants in Spain, France and Italy, the countries hardest hit by the epidemic. In all, 21 facilities and 20,000 employees were furloughed, while in the corporate and administrative operations, working from home became the norm. In the succeeding weeks, other plants were shut down, one after the other, as the virus spread across Eastern Europe, North America and South America.

To quickly restart production, robust health protocols were introduced, and several plants produced hand sanitizer and especially surgical masks for the Group and its host communities. Initially manual, mask production was automated from June for Europe and the Americas. Thanks to this dedication and hard work, the plants gradually resumed operations in Europe in April and all Michelin plants worldwide were back online by the end of June.

SAFEGUARDING THE GROUP'S VIABILITY

To attenuate the impact of the economic slowdown and conserve cash, the Group deployed a full range of measures, including (i) reducing capital expenditure by 30% (€600 million) and cutting the dividend in half (€330 million); (ii) suspending the share buyback program, except for the firm commitments outstanding for 2020; (iii) tracking supply and demand on a weekly basis to keep inventory under control; (iv) maintaining a disciplined pricing policy; (v) reducing corporate overheads; and (vi) above a certain compensation level, deferring raises in countries where this was possible.

The Group also maintained its commitments to all its partners, taking care to protect its most vulnerable customers and suppliers, such as small rubber producers. It has also tried to limit the use of furloughing, so as to ease its impact both on wages and on public finances.

The Managers, Executive Committee members and certain willing managers reduced their fixed compensation during the months when employees were furloughed. The Managers also waived all of their variable compensation payable in 2020 in respect of 2019. These salary waivers helped to finance a Covid-19-related research project and a fund to support the families of employees particularly hard hit by the crisis. The Chairman and independent members of the Supervisory Board donated a quarter of their compensation.

Michelin strengthened its financial resources by raising its confirmed line of credit to €2.5 billion and successfully issuing €1.5 billion in bonds.

Supporting communities, first responders and healthcare workers

In every host country, Michelin supported communities, first responders and healthcare workers by donating masks, hand sanitizer and personal protective equipment, donating tires and free servicing for emergency vehicles[1], and providing financial support.

In response to appeals from several hospital departments, Michelin mobilized its materials specialists and 3D printing expertise to design and produce ventilator components, sterilizable polycarbonate face shields and variable pressure air cushion kits to assist patients in intensive care.

(1) Michelin donated more than three million masks, more than 12,000 liters of hand sanitizer, thousands of sterilizable polycarbonate face shields, ventilator components, patient positioning cushions and 4,600 ambulance tires with free mounting.

TIRE TRENDS & ISSUES

In a fast-changing environment, innovation plays a critical role in devising solutions to meet the challenges of sustainable mobility and accelerate the transition to greener, more competitive, more inclusive growth.

01

THE CHANGING FACE OF MOBILITY

As they invest unprecedented amounts of capital to address the challenges of road safety, public health, climate change, stricter emission standards, electromobility, connected, shared, on-demand vehicles, last-mile delivery logistics and a host of other issues, automakers are turning to equipment providers for the technological solutions they need.

Partnerships are being forged and innovation ecosystems are being formed to bring new solutions to market faster. They are exploring a myriad of pathways to making mobility safer, more efficient, greener and more accessible, including low rolling resistance tires, tires capable of meeting the stringent demands of EVs and shared vehicles, zero-emission hydrogen mobility, connected mobility, and the use of data to deliver personalized services.

02

TIRE DEMAND: SOLID FUNDAMENTALS

Three quarters of all tires are sold in replacement markets. Demand is being driven by growth in the world's population, which is projected to rise by 9% through 2030[(1)], economic development, and the mobility of people and goods, with kilometers traveled expected to increase by one third from 2020 until 2030[(2)]. Over the medium term, it is estimated that demand for tires by volume will grow by 0% to 2% per year in mature markets and by 2% to 4% in emerging markets[(3)].

CAR AND TRUCK TIRES: HIGHLY COMPETITIVE MARKETS

Markets in Europe and North America are facing highly aggressive competition from low-cost tires imported from Asia. The most effective way to escape this pressure is to move up the value chain by offering premium tires and marketing services that enable customers to improve their mobility or operating performance.

SPECIALTY TIRES: PERFORMANCE AND PROFITABILITY

Markets for tires used in mining, farming, construction, logistics hubs and air transportation are both demanding and profitable, but they are facing complex challenges in complex environments. Farmers, for example, are being asked to produce more to feed the planet while protecting cropland and biodiversity. Michelin offers solutions built around high-tech materials and the real-time management of connected tires.

(1) Source: the United Nations, from 7.8 billion to 8.5 billion people.
(2) Source: IHS Markit, more than 21 billion kilometers for cars alone.
(3) Source: IHS Markit.

03

PRESERVING THE PLANET

As needs continue to grow along with the world's population and as loss of biodiversity accelerates, doing more and better with less has taken on new urgency. Highly innovative technologies are emerging in such areas as biomaterials, plastics and tire recycling, and start-ups are partnering with large corporations to industrialize them. These recovered materials could be used in a large number of industries.

04

RESTORING SOCIAL TRUST

Social dissatisfaction stems from a wide variety of sources, including inequality, transformations, the digital revolution, the continuous shifts in skill demand and the search for meaning. The challenge for companies is to transform themselves into people-driven enterprises, capable of attracting and developing the best talent and of making everyone's work and engagement meaningful.

05

SUPPORTING SUSTAINABLE PROSPERITY

The Covid-19 crisis has caused the worst recession since World War II while throwing millions out of work and into poverty. It has also demonstrated how effective companies can be in protecting people, keeping essential activities going, fast-tracking vaccines and adjusting their organizations to health restrictions. What will the post-Covid-19 world look like? The questions are endless, but everyone seems sure of one thing: tomorrow's prosperity has no choice but to be sustainable.

AN "ALL SUSTAINABLE" FUTURE

"Our vision of the future is based on the belief that tomorrow, everything at Michelin will be sustainable." Florent Menegaux

This vision is constantly driving us to achieve an optimal balance between personal fulfillment, economic development, and protection of the planet and its inhabitants.

- It is built on Michelin's Purpose: to offer everyone a better way forward.
- It inspires a shared dream: to be recognized by 2050 as a leader in innovations that will have contributed to the conquest of new frontiers for humanity.
- It guides the Group's strategic plan and ambitions for 2030.

PEOPLE
DRIVING PERFORMANCE

Michelin's corporate performance is closely linked to its employees' fulfillment. Michelin offers diversified, open-ended career paths that give everyone the opportunities and resources they need to grow.

To attract the finest talent, the Group encourages diversity and ensures fair and equal treatment. 74% of managers have been promoted or transferred from within. 79% of top managers in the growth regions were born there. Women account for one-third of all new hires, excluding production operators, and even shopfloor jobs are being held by more women as workstation ergonomics are steadily upgraded.

Michelin ranks among the world leaders in workplace safety and employee engagement. In 2020, more than 100,000 people replied to the annual "Moving Forward Together: Your Voice for Action" survey. The engagement rate rose by two points, to 83%, despite the Covid-19 crisis. Workplace safety also improved, with a steady decline in the accident rate.

Empowerment, which is practiced across the Group, unleashes the spirit of initiative, brings collective intelligence to bear on issues and helps to create more value for customers by making them the focus of every decision.

ICARE : **helping everyone to succeed**

Michelin's new leadership model is known as I CARE, which stands for "Inspiring, Create trust, Awareness, Results, Empowerment." It promotes empowerment and decision-making as close to operations and customers as possible, to support everyone's individual success and improve the Group's agility as an organization. The manager's role is to explain the meaning of tasks and set priorities, then let the teams manage them as well as possible, ensuring that they have the resources and skills they need to succeed.

Michelin's transformation of customer relations **wins 2020 *Grand Prix de l'accélération digitale***[1]

The award honors the Engage program, which was launched in 2017 to deepen intimacy between the sales teams and their customers. In 2020, it brought together more than 10,000 employees and 100,000 customers around the slogan "Make it better to work at and with Michelin." Sales, marketing and service teams are working collaboratively with the same data accessible in real time. Customers are pleased with the more efficient, personalized relationship, which encourages cross-selling.

(1) Awarded by BFM Business (this prize is awarded by a French media, but it rewards the global Engage program).

PROFIT

SECURING OUR LONG-TERM VIABILITY

Michelin endeavors to drive faster growth, strengthen its resilience and improve its operating and financial performance, so that it can continue to invest, innovate, expand and share the resulting value it creates. This deep-rooted commitment is supported by:

- **A premium, innovation-driven strategy,** with recognized technological leadership in mobility and long-lasting performance, expressed by a powerful global brand.
- **New sources of growth** in future-facing markets where its expertise generates synergies, such as mobility services, hydrogen solutions, 3D printing, flexible composites and biosourced and recycled materials.
- **A diversified, multi-segment,** global footprint with a broad array of products and solutions serving millions of retail and business customers in a variety of industries in every geography around the world.
- **Sustained improvement in competitiveness** in every aspect of the business, led by the quickening pace of digitization.
- **Optimized financial management** over the short, medium and long term that maintains a very good liquidity profile and a robust balance sheet, with diversified sources of funds and a well-balanced repayment schedule.

€646 MILLION
invested in R&D

Motion for life: **from mobility to motion**

Michelin is broadening its brand message to express the diversity of its activities more effectively. Launched in 2020 in seven countries, the new international advertising campaign will be rolled out in the Group's leading markets around the world in 2021, helping to raise the brand's visibility and nurture its vitality.

THE PLANET
THE SOURCE OF LIFE

Michelin is taking action both upstream and downstream from its operations to fight climate change, conserve natural resources and protect biodiversity.
Main objectives for 2050: to make all the production plants, supply chain operations and raw material and component inputs carbon neutral[(1)] and ensure that Michelin tires are made entirely of sustainable materials.

- **Responsible rubber farming.** As the world's leading buyer of natural rubber, Michelin encourages and practices sustainable rubber tree farming. In one example, it is restoring[(2)] nearly 90,000 hectares of forest in Indonesia, replanting half of the land with subsistence crops and the other half with rubber trees[(3)], which will secure around 10% of the Group's worldwide natural rubber needs.

- **Circular economy.** With its 4R strategy[(4)], Michelin uses only what it needs. That's because it is "doing more with less" by designing lighter, safer tires that deliver higher, longer lasting performance; maintaining, repairing and retreading tires; recycling and recovering end-of-life tires; and focusing on renewables with biosourced or recycled materials.

- **Sustainable mobility.** As the world leader in energy-efficient tires, Michelin is helping to improve the performance of battery and hydrogen-powered electric vehicles. The Group also offers digital services and solutions that improve the safety and efficiency of transportation while reducing its environmental footprint.

- **Valuing our environmental impacts.** In 2020, as part of its All Sustainable strategy, Michelin launched an initiative to translate its environmental impacts into euros. The initiative is designed to facilitate the representation of environmental issues, enhance transparency and provide a valuation method for use in assessing the performance of Group units or during acquisitions. These impacts, selected according to the method described in section 4, have been valued at an aggregate €327 million based on 2019 volumes.

Carbon neutrality: **targets validated by the SBTi**

In 2020, Michelin's CO_2 reduction targets were approved by the Science Based Targets initiative (SBTi)[(5)]. In 2019, the plant in Gravanches, France was the first Michelin facility to achieve carbon neutrality.

Movin'On, **the world's leading co-innovation ecosystem focused on sustainable mobility**

Michelin created and inspired Movin'On, which is driving the emergence of new sustainable mobility solutions. It has been joined by more than 250 organizations and companies since its founding in 2017 and in June 2020, 5,000 people attended its first Digital Meetings.

(1) In scopes 1 and 2 (production operations and energy use).
(2) With Barito Pacific Group.
(3) One hectare of rubber trees captures 250 tonnes of CO_2 over 30 years.
(4) Reduce, Reuse, Recycle and Renew.
(5) SBTi is a joint partnership between the United Nations Global Compact, the World Wide Fund for Nature (WWF), the World Resources Institute (WRI) and CDP. It is dedicated to helping companies set greenhouse gas emissions reduction targets in line with the 2ºC pathway that are grounded in science and specific to their business.

OUR GROWTH & VALUE CREATION MODEL

OUR STRENGTHS

PEOPLE

EMPLOYEES

Engaged people, strong values

An assertive commitment to diversity and talent development

CUSTOMERS

Broad, structured market access

Intimacy enhanced by digitization

COMMUNITIES

Deep local roots

An engaged, caring company

PROFIT

A powerful premium brand, with a vast capital of trust and loyalty

130 years of radical and incremental innovation

A global footprint, with diversified customers and markets

New high-potential businesses.

PLANET

A vibrant source of innovation and leadership in sustainable mobility

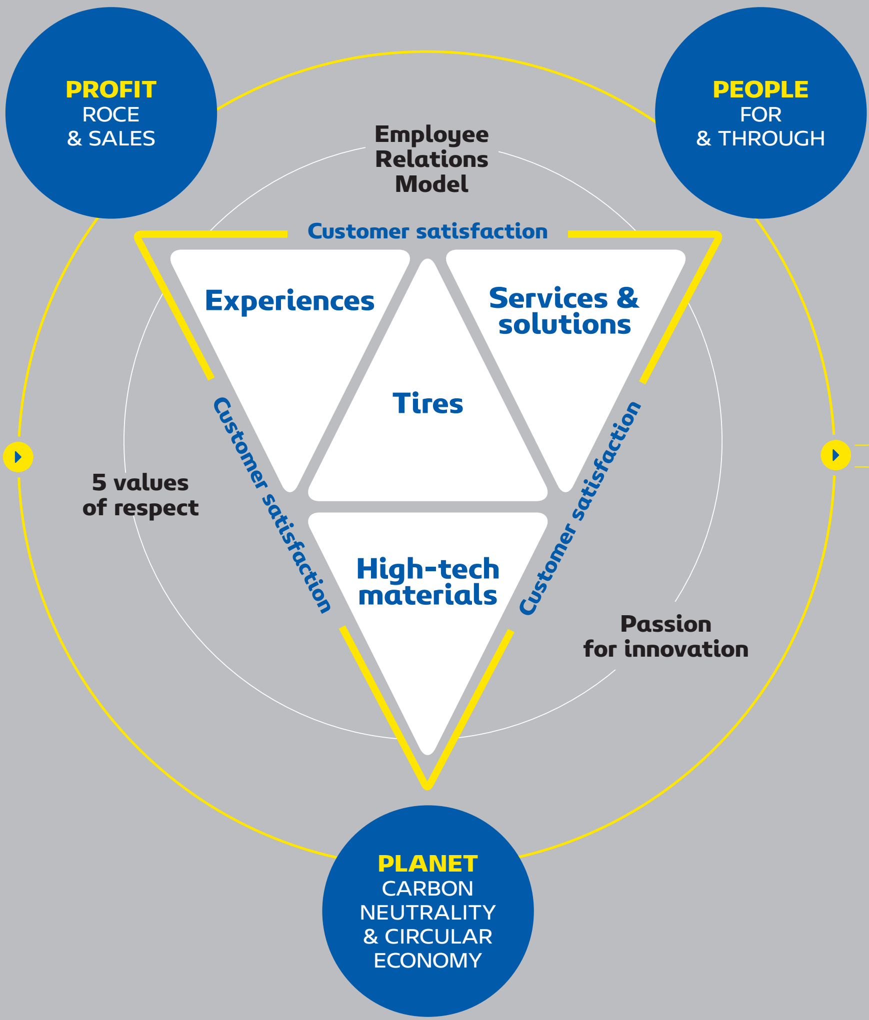
World-class expertise in high-tech materials

Solutions focused on delivering long-lasting performance

The 4R[1] circular economy strategy

EVERYTHING WILL BE SUSTAINABLE AT MICHELIN

OFFERING EVERYONE A BETTER WAY FORWARD



NB: the size of the triangles is not representative of sales.

(1) Reduce, Repair-retread, Recycle and Renew.
(2) Total Case Incident Rate: the number of accidents and cases of occupational illness recorded per 200,000 hours worked.
(3) Diversity index IMDI : Inclusion and Diversities Management Index (Diversity Index).
(4) Single score composite indicator which summarises the current vitality of the brand. It is based on 5 key indicators: brand purpose, innovation, communication, brand experience, love.
(5) Share of products and services launched over the last three years in annual sales.
(6) Return on capital employed.
(7) Weighted environmental footprint of Michelin production plants (see components on p.151).

OUR AMBITIONS FOR 2030

PEOPLE

EMPLOYEES

Employee engagement rate: > 85%

Workplace health and safety: TCIR(2) < 0.5

Diversity: IMDI(3) 80/100

CUSTOMERS

Partner satisfaction: +10 pts

End-customer satisfaction: +5 pts

PROFIT

Brand vitality(4):+ 5 pts vs. 2021

Product offering vitality (5):> 30%

Sales: 5% CAGR between 2023 and 2030

ROCE(6) > 10.5%

PLANET

CO_2 emissions from production plants (operations, energy): -50% vs. 2010

Energy efficiency of our tires in use: + 10% vs. 2020

Environmental footprint of Michelin production plants (i-MEP)(7) -1/3 vs. 2020

Percentage of sustainable materials in our tires: 40% in 2030

TIRES

01

The technological leader in tires, tracks and conveyor belts, the Michelin Group works closely with manufacturers to bring innovations to every market. The world's leading brand of premium tires for retail and business customers, the Group is also the world's largest manufacturer of sustainable tires, connected tires, and radial tires for farm machinery, civil engineering applications and aircraft, as well as the world leader in off-the-road solutions.

OBJECTIVES

- **OFFER** products that deliver long-lasting performance, and which are increasingly aligned with end-user expectations and conditions of use.
- **HELP** to drive the development of sustainable mobility.

STRATEGY

- **INCREASE** our market share in high value-added growth segments where our technologies make a difference.
- **OPERATE** competitive, flexible, right-sized production facilities in every geography and currency zone.
- **EXPAND** our presence in Asia to meet growing demand.
- **LEVERAGE** synergies between online influencers, franchised retail dealerships and wholesale dealers to deliver quality service to retail customers and expand the services base for business customers, including design, installation, maintenance and audits.

A MULTI-BRAND PORTFOLIO

MICHELIN
BFGoodrich
Kleber
CAMSO

PROPRIETARY AND FRANCHISED DEALERSHIP NETWORKS

EUROMASTER
TBC CORPORATION
IHLE
blackcircles.com click & fit tyres
TYRE PLUS

4 AREAS OF GROWTH

TIRES AUTOMOTIVE

TARGETED SEGMENTS

- **OUR MOST ACTIVE CUSTOMERS** over the long term, by enhancing intimacy and leveraging data to improve customer insight and intelligence.
- **OEMs FITTING MICHELIN BRAND TIRES** as original equipment, which encourages brand loyalty in replacement purchases.
- **FAST GROWING SEGMENTS,** with the best products and related services, such as 18'' and larger tires, EV tires, Super Sport tires and specialty tires (quiet, self-repairing).

PROGRESS MADE IN 2020

MICHELIN Pilot Sport CUP2 CONNECT: 100% connect-ready
Designed for sporty high-performance cars, like the BMW M2 CS – the first in its class to mount them as original equipment – the MICHELIN Pilot Sport CUP2 CONNECT tires are connectible in every size to the MICHELIN Track Connect application, enabling amateurs and pros to optimize their on-track driving experience. Offered subscription-free to everyone in Leisure mode, MICHELIN Track Connect is also available in Expert mode for sports car owners and in Motorsport mode for rally drivers.

MICHELIN e.Primacy: 100% eco-responsible
Designed for city cars, sedans and compact electric and internal combustion SUVs, the new MICHELIN e.Primacy tire is packed with technologies and offers the lowest rolling resistance in its category, with an estimated gain of 7%. It is also more environmentally friendly and economical in use, the first tire that is carbon neutral when purchased. That's because its production-related CO_2 emissions, from raw materials extraction to customer delivery, are offset by reforestation and other projects led by the Livelihoods Carbon Fund.

The Tire Tech Awards 2020: Michelin elected manufacturer of the year
Michelin won the prestigious title for the second year in a row, representing a first for the award. The 2020 award recognized both the steady improvement in the performance of the Group's tires over their useful lives and the Group's advocacy for the testing of worn tires. Such tests would help to improve road safety and protect the planet by attenuating planned obsolescence. This view is now shared by the industry and the European legislator, which will make the tests mandatory in 2024.

Since 1989, Michelin's original equipment tires have won 97 of the 119 customer satisfaction awards presented over the period.
Source: JD Power US 2021

A 23rd consecutive victory for Michelin at Le Mans 24 Hours Auto.

Michelin supplier of Formula E since the first season.

TIRES

ROAD TRANSPORTATION

TARGETED SEGMENTS

- **PREMIUM OEMs,** most of whose customers remain loyal to the MICHELIN brand.
- **TRUCKING COMPANIES AND FLEET MANAGERS** whose demanding standards of efficiency and sustainability are particularly well met by MICHELIN solutions.
- **LAST KILOMETER DELIVERY** and shared mobility fleets that require energy-efficient, robust tires that offer long-lasting performance.

PROGRESS MADE IN 2020

New performance benefits for regional transport
MICHELIN X® MULTI™ regional truck tires are known for their versatility, robustness and durability. In 2020, the range was expanded with new sizes and new models with higher load capacity and delivering up to 30% more mileage. Like all Michelin truck tires, they can be regrooved and retreaded twice, a feature that triples their service lives, lowers their cost per kilometer by around 40% and saves 70% of the natural resources used to make a new tire.

A 100% digital product launch
The Covid-19 crisis has considerably accelerated the push to digitize. In marketing, for example, Michelin teams in China led the way with the Group's first 100% digital product launch one Saturday evening, when 19,000 people logged on to discover the new MICHELIN Agilis 3 light truck tire. In less than thirty minutes, all of the 10,000 tires on offer had been sold.

Uptis, designed for the C.A.S.E. mobility of tomorrow
Increasingly, urban mobility will be supported by fleet-based services carrying passengers or last-kilometer deliveries in vehicles that are connected, autonomous, shared and electric (C.A.S.E.). The world's first airless car tire, Uptis is robust, maintenance-free and puncture-proof, which means that it also saves on the raw materials used to make spare or replacement tires. The winner of the Tire Tech 2020 Innovation Award, Uptis was developed with General Motors and tested on a fleet of Chevrolet Bolt EVs.

Michelin joins the Coalition for the Energy of the Future
Eleven international companies[(1)] have joined forces to work on nine projects, including hydrogen mobility, that will accelerate the energy transition in transportation and logistics.

(1) AWS, Carrefour, CMA CGM, Cluster Maritime Français, Crédit Agricole Corporate and Investment Bank, Engie, Faurecia, Michelin, Schneider Electric, Total and Wärtsilä.

TIRES

SPECIALTIES

TARGETED SEGMENTS

- **MINING, AGRICULTURAL, CONSTRUCTION AND AIRCRAFT TIRES:** operators demanding high productivity, machinery uptime, safety and durability, by providing them with advanced product/service solutions.
- **TWO-WHEEL TIRES:** everyday users and demanding enthusiasts and racers, by offering tires seamlessly aligned with their usage patterns to capture the market's growth and rising value.

PROGRESS MADE IN 2020

ZEN@TERRA, the right pressure at the right
Business solutions designed around connected tires. ZEN@TERRA equips MICHELIN Ultraflex tires with a remote inflating system that allows farm machinery tire pressures to be adjusted even while driving, with pressure control in two clicks from the tractor dashboard. Configuration is facilitated by a dedicated app offering 30 different customizable options. The benefits include better soil protection and therefore improved yields, higher productivity, fuel savings and safer operation.

Camso broadens its presence in the United States
Camso, the world leader in off-the-road mobility solutions, with more than 10% of the materials handling, construction, agriculture and recreational products market, has opened its seventh North American production facility, which will manufacture agricultural tracks. Camso has also strengthened its position in the materials handling segment with the acquisition of two service and distribution centers in the greater Chicago area, one of the largest materials handling markets in the United States.

A refreshed line-up of motorcycle, scooter and bicycle tires
In motorcycle tires, the MICHELIN Power tire line-up has been completely renewed with four families ranging from street-only to 100% track. The line-up has also been reinvented in the road bicycle segment, with five premium ranges designed in response to the riding practices of today's cyclists. For scooters, Michelin intends to consolidate its market leadership in Europe with the City Grip 2 tire. Available in 40 sizes, the new range can stop 1.7 meters shorter on wet surfaces, while still offering the long tread life that made its predecessor so successful, with nearly 10 million tires sold in ten years.

Air France has renewed its exclusive contract with Michelin until 2030. The tires will be produced in France. Cirrus Aircraft, the world's leading manufacturer of piston aircraft, has selected the MICHELIN Pilot tire for its entire range.

Michelin is participating in the MotoE championship for all-electric motorcycles by supplying tires made from biosourced and recycled materials.

MOBILITY EXPERIENCES

02

4 AREAS OF GROWTH

Michelin offers guides, maps, digital services and exclusive deals that make travel and everyday journeys easier, more enjoyable and more fulfilling.

OBJECTIVES

- **OFFER** carefully curated selections and increasingly personalized hospitality and fine dining experiences.
- **NURTURE CLOSE,** trustworthy relationships with consumers that strengthen the MICHELIN brand and benefit the entire Group.

STRATEGY

- **MAINTAIN** top-of-mind awareness of the MICHELIN brand among consumers.
- **ENHANCE** the brand experience and underpin its premium positioning.
- **LEVERAGE** the influence of the MICHELIN brand by digitizing its solutions and forging partnerships with leading platforms.
- **RAISE** the MICHELIN brand's profile in new markets and its appeal to new consumer demographics.

A powerful source **of brand awareness**

25 million visitors to Michelin Experiences websites every month.

///

A UNIQUE POSITION

The Group owns the two restaurant and wine guides that set the standard for the rest of the world.

MICHELIN

Tablet.

FOODING

$7.5 BILLION

MICHELIN is one of the 300 most valuable global brands, and one of the 20 highest valued French brands.

Source : Brand Finance 3.4, 2020.

PROGRESS MADE IN 2020

The MICHELIN Guide supports sustainable gastronomy
In 2020, for the first time, the MICHELIN Guide showcased chefs demonstrating a commitment to sustainable fine dining. The French edition already honors an initial selection, indicated by a green star, with other countries to follow. The chefs are encouraged to share their sustainable cuisine practices, such as preferring responsibly grown food, sourcing locally and fighting against food waste, on the MICHELIN Guide website.

Robert Parker Wine Advocate launches its Top 100 Wine Discoveries of the year
The RPWA team of critics selected the inaugural Top 100 from among the 30,000 wines reviewed in 2020. It revealed the next big icons and trends, focusing on lesser-known grape varieties, non-traditional growing regions and innovative approaches in vineyards, wineries and aging. Eight vintages, 18 countries and 76 regions were covered, in a compelling invitation to explore new territories and learn about the passionate work of the winemakers.

Tablet Hotels enhances and personalizes its selection
Tablet, the boutique and luxury hotel curation specialist, has added 2,000 properties to its platform, selected from among the hotels listed in the MICHELIN Guide. It has also launched a new discovery feature called "Take Me Away" that finds hotels nearby or farther afield depending on the type of experience users would like to have. Search filters include the surrounding environment, activities, hotel style and atmosphere, so that users find just what they are looking for.

In February 2021, the print maps and guides business was consolidated into Michelin Editions, a new joint venture between Michelin (40%) and Media-Participations (60%), France's fourth largest publishing company that already handled distribution and circulation for the products.

Michelin has acquired Le Fooding, a print and online restaurant guide that takes a playful, quirky approach to fine dining and hospitality.

Every month, 460 million people visit MICHELIN Guide partner TripAdvisor-The Fork.

SERVICES & SOLUTIONS 03

4 AREAS OF GROWTH

As the market leader in connected tires and a major partner in digital fleet management, the Michelin Group offers its corporate customers services and solutions that improve their performance, simplify their maintenance, increase asset uptime, enhance their safety performance, reduce their costs and attenuate their environmental impact.

OBJECTIVES

- **BROADEN** and deepen our portfolio of offers that improve fleet efficiency and sustainability.
- **SUPPORT** their transition to zero-emission operations.

STRATEGY

- **TIRE AS A SERVICE:** increase pay-per-use tire sales and develop tire-related services.
- **FLEET MANAGEMENT:** develop services for truck, van and car fleets supported by mobile data capture and analytics.
- **DIGITAL SERVICE PLATFORM:** develop a service ecosystem that facilitates business contacts between fleet customers and maintenance, repair and overhaul service providers.
- **DATA AND IOT [1]:** leverage our collected mobility data in new segments, like insurance, and our expertise in connected mobility for new objects, like containers.

(1) Radio-frequency identification.
(2) Internet of Things.

A fast-growing market

UP 15% PER YEAR in the case of telematics in Europe.
Source: Berg Insight

36% MORE commercial vehicles in city-centers by 2025
Source : Michelin

A MAJOR PROVIDER

The world's fifth largest operator: 1.2 million vehicles under contract in 30 countries, an RFID[2] chip embedded in every MICHELIN-brand truck tire since 2019.

MICHELIN
NexTraq A MICHELIN GROUP COMPANY
sascar PAIXÃO PELA INOVAÇÃO uma empresa do grupo Michelin
masternaut

1.2M
vehicles under contract through the world

PROGRESS MADE IN 2020

Fleet Diag 24 automates truck tire inspections
Michelin and Total subsidiary AS 24, Europe's largest chain of dedicated truck service stations, have joined forces to launch the innovative Fleet Diag 24 service. Each time a truck stops at an AS 24 station equipped with MICHELIN QuickScan technology, the wear and pressure of its tires are automatically measured. Drivers are alerted by text message in the event of an issue that needs an urgent response, while managers receive diagnostic reports for the entire fleet, enabling them to optimize maintenance.

Masternaut teams up with Ford in fleet management
As a specialist in fleet management telematics solutions, Masternaut translates vehicle data – safety, on-time performance, environmental impact, costs, compliance, etc. – into insights and pathways to improvement. In 2020, Ford selected Masternaut to process data transmitted in real-time from its models fitted with FordPass Connect modems. Fleet managers operating Ford vehicles with these modems will be able to access Masternaut's services and management solutions in 20 European countries.
Source Site Internet Masternaut CP 30/9/2020

Michelin and HDI innovate for road safety
Michelin DDI (Driving Data to Intelligence) and corporate risk insurance company HDI Global SE have formed a partnership to prevent road risks for corporate

fleets. Driving data are collected from vehicles equipped with a connected box, processed and then returned to the driver and the fleet manager. This helps to raise awareness of the impact of driving behavior on the claims rate, as well as identify risky driving practices and provide fleet owners with the resources needed to inform and train drivers. The first company to work with the alliance was Euromaster France.

BNP Paribas Cardif, CGI and Colas join the Better Driving Community, which was initiated and is being led by Michelin DDI The Better Driving Community uses driving data to support smarter, safer road mobility. Applications include driver training, predictive maintenance, road infrastructure diagnostics and improvements in automotive equipment.

HIGH-TECH MATERIALS 04

4 AREAS OF GROWTH

01 TIRES (p.20)

02 MOBILITY EXPERIENCES (p.24)

03 SERVICES & SOLUTIONS (p.26)

04 HIGH-TECH MATERIALS (p.28)

Michelin has extraordinary expertise in the design and production of high-tech materials. Already a core factor in the performance of the Group's tires, these capabilities are being enhanced by R&D programs, incubators and targeted acquisitions. They are also being marketed to customers in other industries through specialized subsidiaries and joint ventures.

OBJECTIVES

- **IMPROVE** the performance and sustainability of our products with new technologies, biosourced and recycled materials, and zero-emission solutions.
- **BUILD** positions in profitable new, high-potential growth markets.

STRATEGY

- **SUSTAINABLE FLEXIBLE COMPOSITES:** develop, from the upstream to the downstream, technologies, materials and semi-finished and finished products delivering long-lasting high performance. These include biosourced and recycled raw materials for tires and rubber products, adhesives and custom polymers, and high-performance polymer products for targeted technical segments.
- **MEDICAL APPLICATIONS:** develop the range of bioresorbable and non-bioresorbable products, particularly for use in regenerative medicine and cell therapy.
- **METAL 3D PRINTING:** make the AddUp joint venture with Fives a world leader in metal 3D printing.
- **HYDROGEN MOBILITY:** make the Symbio joint venture with Faurecia a world leader in hydrogen mobility systems.

Future-facing markets

- Sustainable flexible composites
- Medical applications
- Metal 3D printing
- Hydrogen-powered mobility

SUSTAINABLE FLEXIBLE COMPOSITES

Lehigh Technologies, Butterfly, Enviro, Pyrowave, Carbios Resicare, Fenner, Fabricote, AraNea Composite

MEDICAL APPLICATIONS

Solesis, CharterMedical, Secant Group, Sanavitamedical

3D PRINTING

AddUp

HYDROGEN MOBILITY

Symbio

Products successfully nurtured by **the Michelin incubation program**

AraNea Composite, a lightweight, attractive fiber that reinforces the mechanical properties of concrete while reducing its carbon footprint(1).

ResiCare, a high-performance adhesive resin for industrial applications that contains no formaldehyde, isocyanate or resorcinol.

BlackCycle

is a major European public-private partnership, with the support of the European Union(2), coordinated by Michelin and dedicated to making new tires from resources recovered from end-of-life tires.

SUSTAINABLE FLEXIBLE COMPOSITES

Two new partnerships in sustainable raw materials

To ensure that its tires are manufactured exclusively from sustainable materials by 2050, Michelin is helping to develop innovative technologies, such as biosourced butadiene (Bio-Butterfly), micronized powders from recycled tires (Lehigh Technologies) and bio-recycled plastics (Carbios). In 2020, the Group joined forces(3) with Swedish start-up Enviro to process engineer a new pyrolysis technology that enables high-quality raw materials to be recovered from end-of-life tires. Michelin has also formed a partnership with Canada's Pyrowave to shorten time-to-market for a technology that produces styrene(4) from waste plastic.

Moving up in aerospace applications with Fabri Cote, a specialty manufacturer of custom rubber-coated fabrics, primarily for aerospace applications, has been acquired by Fenner Precision Polymers. A provider of polymeric, metal, and textile-based industrial solutions, Fenner Precision Polymers is actively building a complete coated fabric and technical textile portfolio targeted at numerous end-use markets.

Fenner innovates for roller conveyors

Fenner Drives designs, manufactures and distributes an unrivaled portfolio of reinforced or deformable polymer products for power transmission, motion transfer and automated conveying applications. Its new Eagle Poly-V line of roller conveyor belts is made from a combination of high-performance polyurethane and an elastic reinforcement. Compared with their conventional alternatives, the Eagle Poly-V belts offer less downtime, added efficiency, a longer belt life and cost savings.

(1) The partnership involved the acquisition of a 20% shareholding.
(2) This European project funded by Horizon 2020, project number: 820687.
(3) Styrene is used in particular in the production of synthetic rubber for tires.
(4) Initially developed for NASA's lunar rover tires, then adapted to the Michelin Uptis airless tire.

PROGRESS MADE IN 2020

HYDROGEN MOBILITY

Symbio, the zero-emission equipment manufacturer

Owned equally by Michelin and Faurecia since November 2019, Symbio is dedicated to designing, manufacturing and marketing hydrogen fuel cell systems for all types of light and heavy electric vehicles. Together, Michelin's technological capabilities and Faurecia's systems integration expertise should help to speed the deployment of this zero-emission solution[1], which is highly compatible with battery-powered systems.
To support their commitment to building global leadership in hydrogen mobility, Michelin and Faurecia have initially invested €140 million to drive faster development of next-generation fuel cells and launch mass production. In France, a new plant is expected to come on stream in Saint-Fons (in the *Rhône region*) by 2023. Symbio's 2030 objective: produce 200,000 hydrogen systems a year.

Green hydrogen: a priority for EU member states to revive their economies after Covid-19.

€13 BILLION
the projected value of the worldwide metal 3D printing market in 2030

METAL 3D PRINTING

AddUp expands its portfolio

Metal additive manufacturing makes it possible to produce complex parts, using a highly flexible process and a minimum amount of material and energy. Michelin originally developed this capability to manufacture molds for high-performance tires requiring very specific tread patterns. It is now being marketed through AddUp, a joint venture created in 2016 with industrial engineering group Fives.
AddUp serves a wide range of markets in the energy, automotive, aeronautics, luxury goods, machine tools and medical device industries. Its new compact FormUp 200 machine could also appeal to research centers. Suitable for small and medium-size parts, it also stands out for its modularity, with three different spreading devices (roller, scraper or brushes) enabling it to adapt to all metal powder sizes, from the finest to the largest.

(1) *A hydrogen fuel cell generates electricity from the chemical reaction between hydrogen (supplied from an onboard tank) and oxygen (from the air). The only by-product is water. Fuel cells can act as a primary or supplementary power source for all types of electric powertrains. Refueling time and range are comparable to those of an internal combustion vehicle.*

6 PATHWAYS TO SUCCESS

To successfully lead its strategy and meet its ambitions, the Michelin Group is activating six drivers.

CUSTOMER CENTRICITY

- Put Customer experience at the heart of any decision, in line with the MICHELIN brand promise.

I AM MICHELIN

- Make each employee a player in the development of the company.

AGILE MICHELIN

- Foster operational excellence by being more agile and more competitive.

INNOVATION ACCELERATION

- Broaden the scope of application for our innovations and leverage open ecosystems to accelerate the innovation cycle.

A DATA-DRIVEN COMPANY

- Capitalize on the wealth of our data to optimize our operations and enrich our offers.

ALL IN ACTION FOR THE ENVIRONMENT

- Fulfill our vision of being carbon neutral and making our tires entirely from sustainable materials by 2050.
- Protect biodiversity.

SOLID, BALANCED GOVERNANCE

Michelin's governance is a solid, stable process focused on the long-term responsibility of its executives, with a clear separation of management and supervisory powers.

80%

share of the profits received by SAGES set aside to guarantee the unlimited liability of the General Partners.

THE MICHELIN PARTNERSHIP LIMITED BY SHARES

Throughout its history, Compagnie Générale des Établissements Michelin (CGEM), the Group's parent company, has been organized as a partnership limited by shares (SCA). This form of corporate organization ensures that the deployment of a long-term strategy is fully aligned with shareholder interests. It also fosters direct ties with each shareholder, as all shares must be registered. It is committed to driving continuous improvement in the Group's governance and practices, in the best interests of the company and its shareholders(1).

THE MANAGERS

The company is administered and managed by the Managers, who are elected by shareholders at the Annual Meeting for renewable four-year terms. As a General Partner, the Managing Chairman has unlimited personal liability for Michelin's debts.

THE SUPERVISORY BOARD

exercises permanent oversight of Michelin's management and assesses its quality every year on behalf of the shareholders. It issues opinions on the Group's strategy, capital expenditure, acquisitions and disposals, as well as the election or dismissal of Managing Partners and their compensation. Its members are elected by shareholders at the Annual Meeting for renewable four-year terms.

SOCIÉTÉ AUXILIAIRE DE GESTION (SAGES),

As a general partner, SAGES participates, with the Supervisory Board, in the Manager succession and compensation process. However, it is not involved in management except in the event the position of Manager falls vacant, and then only for a period of up to one year. It is entitled to a share of the income distributed among the General Partners in accordance with the provisions of the Bylaws. At least 80% of this share is set aside to underwrite the unlimited liability that SAGES shares with the Managing General Partner.

(1) On December 7, 2020, Michelin met with investors to offer an in-depth look at its corporate governance. The presentation and a transcript of the comments and the question-and-answer session, may be found on the Michelin.com website.

THE MANAGING CHAIRMAN AND THE EXECUTIVE COMMITTEE

at January 1, 2021

The Managers are assisted by a nine-member Executive Committee.

From left to right: **Jean-Claude Pats,** Executive Vice President, Personnel / **Éric Philippe Vinesse,** Executive Vice President, Research & Development / **Bénédicte de Bonnechose,** Executive Vice President, Urban and Long-Distance Transportation and European Regions / **Lorraine Frega,** Executive Vice President, Distribution, Services & Solutions, Strategy, Innovation & Partnerships / **Florent Menegaux** Managing Chairman / **Sonia Artinian-Fredou** Executive Vice President, High Tech Materials, H2 Mobility and the Symbio and AddUp joint ventures / **Yves Chapot,** General Manager and Chief Financial Officer / **Scott Clark,** Executive Vice President, Automotive, Motorsports, Experiences and Americas Regions / **Serge Lafon,** Executive Vice President, Specialties and Africa/India/Middle East, China, East Asia & Australia Regions / **Adeline Challon-Kemoun,** Executive Vice President, Engagement and Brands / **Jean-Christophe Guérin,** Executive Vice President, Manufacturing.

A CUSTOMER-CENTRIC ORGANIZATION

Focused on identifying and meeting customer needs, the organization introduced in 2018 is supported by an employee empowerment process embraced at every level and in every aspect of the business.

19 Global Business Lines design solutions to meet the expectations of customers with similar characteristics.

10 Regions are responsible for managing customer relationships and increasing sales.

6 Operating Units provide their expertise and support.

1 Lean Corporate Unit comprising departments focused on their strategic missions.

THE GROUP MANAGEMENT COMMITTEE

The Group Management Committee brings together members of the Group Executive Committee and the following units: Purchasing, Audit, Internal Control and Risk Management, Corporate & Business Services (CBS), Finance, Legal Affairs, Quality, Supply Chain, Digital Transformation & Information Systems, and the China and North America Regions.

It cross-functionally manages transformation, competitiveness and diversity programs and the integration of acquisitions. It also manages the development of the CBS unit and the internal control, quality and risk management processes. As well, it supports the development of senior high potential employees.

Constructive stakeholder dialogue

A core component of good governance, stakeholder dialogue improves our understanding of stakeholder expectations and how they are changing, thereby providing a more reliable basis for decisions. Michelin actively encourages and practices such dialogue locally, nationally and globally.

- At the corporate executive level, a Stakeholders Committee has been in place since 2016. It brings together 12 people representative of the Group's leading stakeholders, including suppliers, investors, unions, customers and NGOs. Four continents are represented on the Committee, which meets with the Executive Committee for a full day at least once a year to discuss the Group's sustainable development strategy.
- Among the advances in 2020 was the creation of a global social dialogue council with the IndustriALL Global Union[1]. Inspired by the European Works Council, it will enhance Michelin's ability to support change, improve working conditions and uphold employee rights.

(1) The IndustriALL Global Union represents more than 50 million employees in 140 countries.

THE SUPERVISORY BOARD

The Supervisory Board has 11 members, including seven independent members, two employee representatives, five women and two non-French people. It met 9 times in 2020 with an attendance rate of 100%.

Left to right and top to bottom

Michel Rollier, Chairman, non-independent member

Anne-Sophie de la Bigne, Member of the Compensation and Appointments Committee and the Corporate Social Responsibility Committee, independent member

Barbara Dalibard, Member of the Audit Committee, non-independent member

Jean-Pierre Duprieu, Chair of the Compensation and Appointments Committee, independent member

Aruna Jayanthi, Member of the Compensation and Appointments Committee, independent member

Patrick de La Chevardière, Chairman of the Audit Committee, independent member

Thierry Le Hénaff, Senior Independent Member of the Audit Committee

Jean-Christophe Laourde, Member representing employees

Monique F. Leroux, Chair of the Corporate Social Responsibility Committee, member of the Audit Committee, independent member

Delphine Roussy, Member representing employees

Jean-Michel Severino(1), Member of the Corporate Social Responsibility Committee, independent member

11 MEMBERS of which

1 Senior Independent Member

78% of members are independent*

45% are women*

22% are not French*

(1) November 12, 2002 cooptation subject to ratification by the Ordinary General Meeting on May 21, 2021.

* Excluding the employee representatives.

CONTINUOUS IMPROVEMENTS IN GOVERNANCE

In 2020, the Supervisory Board set up a Corporate Social Responsibility Committee (CSRC), tasked with assessing the CSR policies and performance that inform Michelin's All-Sustainable strategic vision. Other Board committees include the Audit Committee and the Compensation and Appointments Committee. All three Committees are chaired by independent members.

During the year, in compliance with the PACTE Act and the amendments to the bylaws of Compagnie Générale des Établissements Michelin approved by shareholders at the Annual Meeting on June 23, 2020, the Supervisory Board welcomed two new members representing employees, who replaced the one representative previously elected.

The Supervisory Board actively prepared the succession of Michel Rollier, its Chairman since 2013, when his term ends after the Annual Shareholders Meeting on May 21, 2021. Based on the findings of an in-depth review of potential in-house and outside candidates, the recommendation of the Compensation and Appointments Committee and the succession plan, the Supervisory Board unanimously elected Barbara Dalibard on December 7, 2020.

BARBARA DALIBARD

A member of the Supervisory Board **since 2008,**

Barbara Dalibard, 62, served as the independent Chair of the Compensation and Appointments Committee from 2015 to 2020, as Senior Independent Member from 2017 to 2020 and as an external member of the Group Innovation Council from 2013 to 2020. Since 2016, she has also been Chief Executive Officer of Société Internationale de Télécommunication Aéronautique (SITA), the world's leading specialist in air transport communications and information technology.

ETHICS, INTEGRITY AND COMPLIANCE: SHARED RULES AND PRACTICES GOVERNING

Michelin has pledged to uphold the United Nations Global Compact and ensures that its employees act in accordance with the standards of integrity and ethical behavior that form the bedrock of its corporate culture.

These values and standards have been assembled into a robust collection of easily accessible, widely promoted reference documents. The Code of Ethics and the Anti-Corruption Code of Conduct were updated in 2020. Ethics Committees have been set up in each of the regions and in certain countries. A database allows everyone to access best practices. Compliance with the rules of conduct is regularly audited and whistle-blowing procedures are in place to enable employees to anonymously and securely report possible violations.

Michelin advocates **for issues in the public interest**

Around the world, Michelin is committed to improving tire standards and regulations to make tires safer, facilitate their recycling and combat their planned obsolescence. More broadly, the Group advocates for hydrogen mobility, zero net emissions in transport by 2050 and a level playing field in international competition. Michelin lobbies responsibly and complies with the highest standards of transparency applicable to relations between companies and public authorities.

RESPECTING PEOPLE AND THE ENVIRONMENT

Every aspect of the Group's strategic vision is informed by the All Sustainable approach. The Sustainable Development and Mobility Department is part of the Corporate Engagement and Brands Department.

- Michelin guidelines are derived from the ISO 26000 (Social Responsibility) and ISO 20400 (Sustainable Procurement) standards. Supplier performance is assessed by EcoVadis, an independent company.

- All of the plants have deployed an environment, health and safety (EHS) management system. 94% of them, accounting for 98% of total tire output, have been certified to ISO 14001 (environmental management) standards. The Environment and Prevention Management System is also based on ISO 50001 (energy management systems) and OHSAS 18001 (occupational health and safety) specifications.

- As one of the world's leading users of natural rubber, Michelin pursues a sustainable sourcing strategy, defined with the support of the WWF and built on the principles of zero deforestation, the preservation of threatened lands and ecosystems, and respect for supplier communities. More broadly, the Group has defined a Biodiversity Roadmap for the 2020-2030 period with measurable targets.

A ROBUST RISK MANAGEMENT SYSTEM

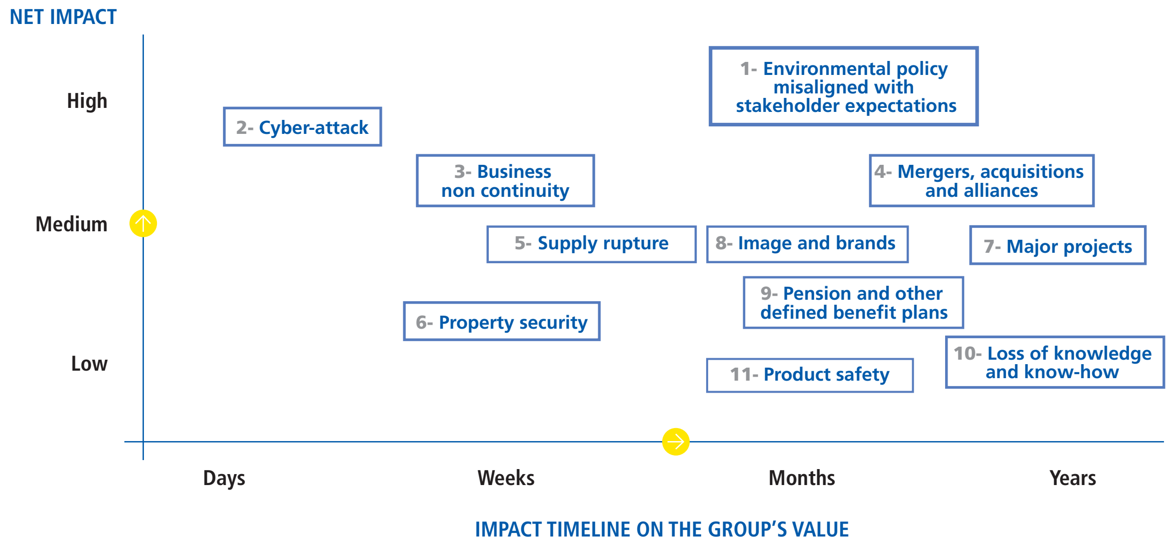
Michelin has deployed an enterprise risk management (ERM) system that complies with the reference framework of the French securities regulator (AMF) and the international professional standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A single corporate department overseeing Internal Audit, Risk Management and Internal Control activities. While facilitating a shared vision of the primary risks and challenges, this organization also encourages cooperation among teams across the entire Group over every time horizon.

An efficient crisis management system. Led by the Internal Audit, Risk Management, Internal Control and Quality Department, the crisis management system is deployed among the executive teams through full-scale simulation exercises and training seminars. The Computer Emergency Response Team (CERT) tracks cyber intrusions and stands ready to respond quickly at all times across all continents.

Global insurance programs covering every majority-owned Group subsidiary have been arranged for the most significant risks, including property & casualty/business interruption, liability, accidental pollution and cyber risks.

THE ELEVEN HIGHEST-IMPACT RISK FACTORS SPECIFIC TO THE MICHELIN GROUP



For more information about

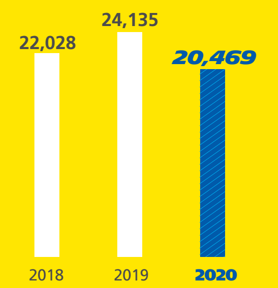
Risks and how they are managed:

See section 2 Risk Management and section 4 Non-Financial Performance, below

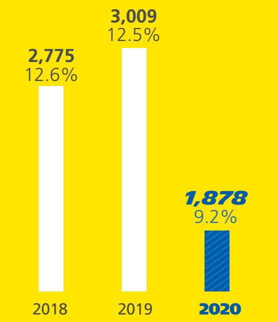
FINANCIAL PERFORMANCE

In € millions and %.

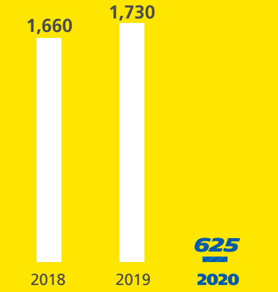
€1,2 BN
invested in 2020



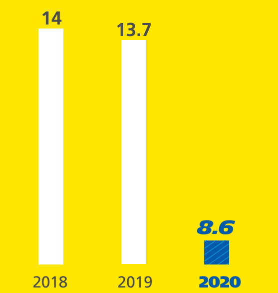
Sales



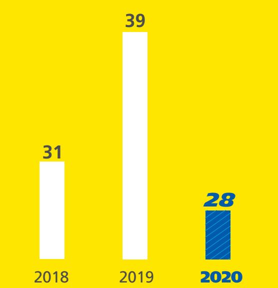
Operating income[1]



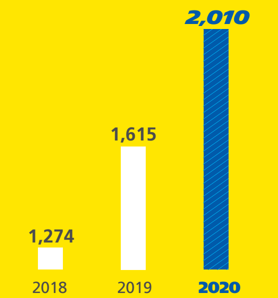
Net income



Return on capital employed (ROCE)[2]



Net debt
As a % of equity



Structural free cash flow

CREDIT RATINGS

	Standard & Poor's	Fitch
Short term	A-2	F2
Long term	A-	A
Outlook	STABLE	STABLE

(1) Segment.
(2) The "2016-2020 plan" ROCE is calculated after tax and excluding goodwill, acquired intangible assets and equity-accounted companies. As from 2021, goodwill, acquired intangible assets and investments in equity-accounted companies will be added back to economic assets; amortization of acquired intangible assets and the Group's share of profit from equity-accounted companies will be added back to after-tax earnings calculation (see section 3.6 of the 2020 Annual Results Guide, available on the Group's website www.michelin.com). The Group will use this new indicator as from 2021 to measure the return on capital employed.

NON-FINANCIAL PERFORMANCE

CUSTOMER SATISFACTION

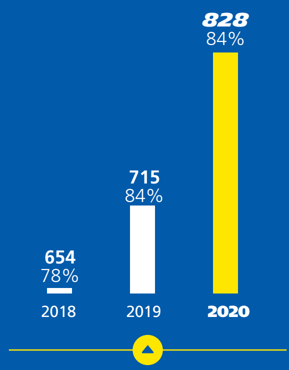
76% of targeted customer groups delivering NPSs in line with the Group's objective

83%
of employees engaged

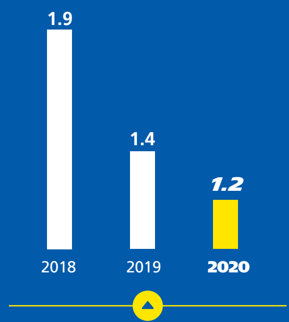
28.2%
women in management and supervisory roles

74%
of managers promoted from within

13,180
paid working days dedicated to local communities



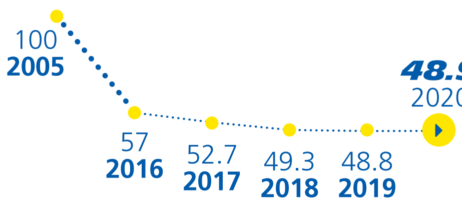
Assessed suppliers
% confirmed as compliant with Michelin standards



Workplace safety
Total Case Incident Rate[(1)]

28%
RENEWABLE OR RECYCLED MATERIALS
used in making a tire

MICHELIN ENVIRONMENTAL FOOTPRINT[(2)]



NON-FINANCIAL RATINGS

CDP 2020	LEADERSHIP
ECOVADIS 2019	GOLD
ISS-OEKOM 2020	PRIME
MSCI 2020	AA
VIGEO EIRIS 2020	A1+
SUSTAINALYTICS 2020 (risk rating)	LOW RISK

(1) Number of accidents and cases of occupational illness recorded per 200,000 hours worked.
(2) Weighted indicator measuring water withdrawals, energy use, CO_2 and VOC emissions, the amount of waste produced and amount of waste landfilled, all per tonne of tires produced.

AMBITIONS 2020 OUTCOMES

Defined and deployed in 2013, our six Ambitions for 2020 were designed to make Michelin one of the world's most innovative, responsible and top-performing companies in fulfilling its financial, environmental and social responsibility commitments.

2020 OBJECTIVES	2020	2019	2018	2017	2013
1. CUSTOMERS: CONTINUOUSLY IMPROVE CUSTOMER SATISFACTION					
70% dof targeted customers reach the intended NPS1(1).	76%	67.4%	67.7%(2)	72%	
2. MOVE FORWARD TOGETHER IN PERSONAL WELL-BEING AND DEVELOPMENT					
Health & Safety: TCIR(3) < 2	1.2	1.4	1.49	2.1	
85% of employees engaged(4)	83 %	81%	80%	80%	72%
75% of managers promoted from within	74%	74%	76%	76%	
30% women in management and supervisory roles(5)	28.2%	27.4%	26.9%	25.7%	
80% of top managers in the growth regions were born there	79%	75%	75%	74%	
3. DELIVER A ROBUST FINANCIAL PERFORMANCE(6)					
€1,400M in structural free cash flow(6) per year	€2,010M	€1,615M	€1,274M	€1,509M	€1,154M
>15% ROCE(7)	8.6%	13.7%	14.0%	11.9%	11.9%

(1) Net Promoter Score: the net difference between a brand's promoters and detractors.
(2) Broader scope and more demanding criteria.
(3) Total Case Incident Rate: the number of accidents and cases of occupational illness recorded per 200,000 hours worked.
(4) Employee engagement rate as measured by the annual "Moving Forward Together: Your Voice for Action" survey.
(5) Level of individual responsibility of A to N, according to the Hay method used by the Group.
(6) Cash flows from operating activities less cash flows used in investing activities, adjusted for the impact of raw materials and end-of-year inventory on working capital requirement and for non-recurring items.
(7) Return on capital employed.

2020 OBJECTIVES	2020	2019	2018	2017	2013
4. INNOVATE TO WIDEN OUR LEAD *IN PRODUCT AND SERVICE PERFORMANCE*					
Improve the overall performance of our products **BY AT LEAST 10%** compared with 2010, while using less raw material in their production	**+11.6%**	+9.9%	+9.7%	+7.6%	nd
Save **3 BILLION** liters of fuel over the lifespan of our tires, representing eight million tonnes of CO_2 avoided[8]	**2.7Bn liters** **6.9Mt**	2.9Bn liters 7.3Mt	3.3Bn liters 8.4Mt	nd nd	nd
Use **30%** renewable or recycled materials in making our tires	**28%**	26%	29%	29%	
5. SET THE INDUSTRY STANDARD *FOR RESPONSIBLE MANUFACTURING*					
REDUCE the environmental impact[9] of our sites **BY 50%**, notably by improving our energy efficiency[10] by 38% in relation to 2005	**-51.1%** **-28.9%**	-51.2% -31.5%	-50.7% -30.7%	-47.3% -30.4%	
REDUCE CO_2 emissions across the supply chain **BY 10%** compared with 2010[11]	**-10.3%**	-10.3%	-9.6%	-7.6%	
Ensure that 70% of the **400** leading suppliers assessed by EcoVadis are confirmed as compliant with Michelin standards	**828** **84%**	715 84%	654 78%	547 77%	
6. CONTRIBUTE TO *THE DEVELOPMENT OF OUR HOST COMMUNITIES AND SUPPORT SUSTAINABLE MOBILITY*					
100% of Michelin sites are deploying a community involvement program, in line with the guidelines	**110[13]**	110	110	110	
Dedicate **30,000** working days per year to local communities	**13,180**	32,850	34,800	33,800	
Create **2,000** local jobs per year with the support of Michelin Development	**1,245[14]**	1,702	1,822	1,918	
REINFORCE OUR ADVOCACY of road safety, with a strong focus on driver education in emerging countries[15]	In 2020, due to sanitary restrictions, the Group digitized its global actions on safe mobility (simulation game of driving, online awareness campaigns, etc.), which have already concerned more than 16 million people.				

(8) *Measured by the improvement in the rolling resistance of car, van and truck tires sold in the year in question.*
(9) *Measured by the Michelin Environmental Footprint, which tracks, on a weighted basis, water withdrawals, energy use, CO_2 and VOC emissions, the amount of waste produced and amount of waste landfilled, all per tonne of tires produced.*
(10) *Energy consumption per tonne of tires produced.*
(11) *CO_2 emissions per tonne of tires sold outside the Group: After this target was met in 2019, a new objective was set for 2030. See section 4.1.4.3 i) Sustainable supply chain operations.*
(12) *In the overland supply chain operations.*
(13) *Number of plants and offices that have moved their programs into compliance with the guidelines.*
(14) *Due to the enforcement of health restrictions, social engagement and outreach were largely redirected towards financial support and donations of products and services.*
(15) *Number of people directly reached by the worldwide partnerships and local programs deployed by Michelin through its employees and its Foundation.*

MICHELIN INVESTOR RELATIONS

By investing in Michelin, our shareholders not only become part of an extraordinary human, technological and industrial saga that has been improving mobility for more than 130 years, they are also contributing to the well-being of humanity.

They are also supporting a project whose success is being driven by an extraordinary capacity for innovation, widely recognized technological leadership, engaged employees, a world-renowned brand, and global expansion in buoyant, diversified end-markets around the world. And lastly, they are sharing the All-Sustainable vision in a commitment to creating more value for everyone.

Michelin has more than 210,000 shareholders, including nearly 137,000 private investors, 69,000 employees through the employee share ownership plan and more than 3,900 institutional investors. All of them hold their shares in registered form, which supports effective, high-quality shareholder dialogue. Through its recommendations, the Shareholder Consultative Committee has been steadily enhancing communication with private shareholders since 2003.

The Group is committed to giving employees a personal stake in its performance, with seven worldwide employee share issues carried out since 2002 and the latest in 2020.

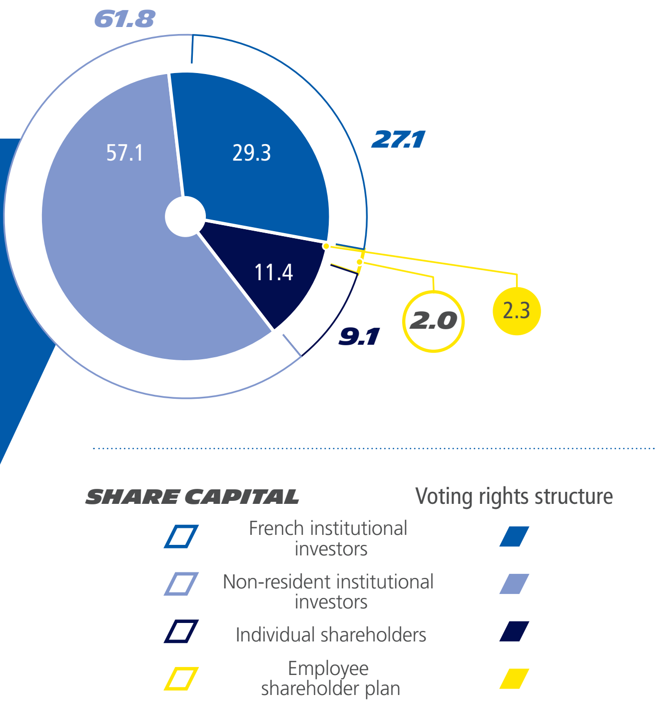
From 2021,Michelin is committed to paying out at least 50% of consolidated net income before non-recurring items. A shareholder who invested €1,000 in a share of Michelin stock in 2011 and reinvested all of his or her dividends would have an investment worth €3,081 as of end-2020.

OWNERSHIP STRUCTURE AND VOTING RIGHTS

(in %) at December 31, 2020

Shares held in the same name for at least four years carry double voting rights.

Number of shares	Voting rights outstanding
178,340,086	**243,584,598**



THE MICHELIN SHARE

TRADED ON THE EURONEXT PARIS STOCK EXCHANGE

Compartiment **A**
Eligible for the SRD deferred settlement system
ISIN : FR 0000121261
Par value: €2
Traded in units of: 1

MARKET CAPITALIZATION **€18.7 BILLION**

at December 31, 2020

AVERAGE DAILY TRADING VOLUME **548,883**

shares in 2020

STOCK INDEX WEIGHTING **CAC 40: 1.48%**

of the index at December 31, 2020

EURONEXT 100: 0.59%

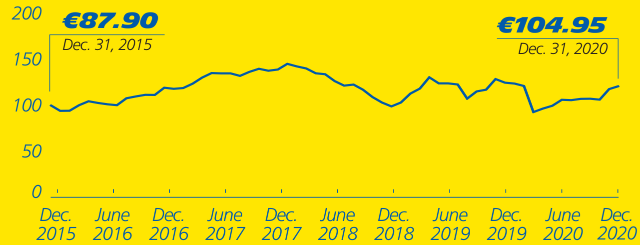
of the index at December 31, 2020

SRI INDICES

Ethibel Excellence Europe and Global, Euronext Vigeo Eiris France 20, Europe 120, Eurozone 120, World 120, FTSE4Good

SHARE PERFORMANCE

Michelin share December 2015 – December 2020.



SHARE INFORMATION

SHARE PRICE (in €)	2020	2019	2018	2017	2016
High	**112.80**	119.50	130.85	128.40	106.80
Low	**68.00**	83.74	82.68	98.93	77.40
Closing price, end of period	**104.95**	109.10	86.70	119.55	105.70
Change over the period	**-3.80%**	25.84%	-27.48%	+13.10%	+20.25%
Change in the CAC 40 index	***-7.14%***	*26.37%*	*-10.95%*	*+9.26%*	*+4.86%*

PER SHARE DATA

(in € per share, except ratios)	2020	2019	2018	2017	2016
Net assets per share	**70.8**	74.1	67.8	62.7	59.1
Basic earnings per share	**3.52**	9.69	9.30	9.39	9.21
Diluted earnings per share[(1)]	**3.51**	9.66	9.25	9.34	9.03
Price-earnings ratio	**29.8**	11.3	9.4	12.7	11.5
Dividend for the year*	**€2.30**	2.00	3.70	3.55	3.25
Payout ratio	**47%**	19.5%	36.4%	36.0%	36.5%
Yield[(2)]	**2.2%**	1.8%	4.3%	3.0%	3.1%

* *Subject to approval by the Annual Meeting of May 21, 2021.*
(1) *Earnings per share adjusted for any impact on net income and average shares outstanding of the exercise of any dilutive instruments.*
(2) *Dividend/share price at December 31.*

OVER THE LONGER TERM...

In 2021, continues to unfold, Michelin expects Passenger car and Light truck tire markets to expand by 6% to 10% over the year, Truck tire markets by between 4% and 8%, and the Specialty markets by 8% to 12%. In this market scenario, and barring any new systemic impact from Covid-19[1], the Group's objectives are to deliver full-year segment operating income in excess of €2.5 billion at constant exchange rates and structural free cash flow[2] of around €1 billion. Based on the trends observed to date, business may return to 2019 levels in the second half of 2022[3].

On April 8, 2021, the Group held a Capital Market Day event to present its 2030 roadmap and its 2023 objectives. The major objectives for 2030 are described in the business model on page 18-19.

For 2023, and barring any new systemic crisis, Michelin is aiming to report sales of €24.5 billion, segment operating income of €3.3 billion at constant exchange rates, a €1.5bn average structural free cash flow per year over 2021-2023, a return on capital employed of at least 10.5% and a payout of 50% of consolidated net income before non-recurring items[4].

6 REASONS TO INVEST IN MICHELIN

1. Be a partner to the world leader in sustainable mobility, i.e., mobility that is safer, more efficient, more accessible and more environmentally friendly.

2. Help to fund the growth of a Group whose driving force is innovation for the benefit of everyone.

3. Join in the history of MICHELIN, a world-renowned brand with an extraordinary capital of trust and affinity.

4. Embrace Michelin's All-Sustainable corporate vision.

5. Be a part of a company whose governance system is sustainably robust, engaged and responsible.

6. Share in the fair balanced value created by combining financial, employee, environmental and social responsibility performance.

(1) Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.

(2) Free cash flow before acquisitions, adjusted for the impact of changes in raw materials costs on trade payables, trade receivables and inventories.

(3) See chap 3.7.1, Outlook of the Annual Report available on the corporate website www.michelin.com.

(4) Cf. detail of the 2023 scenario in the presentation of the capital markets day of April 8, 2021 available on www.michelin.com.

02. RISK MANAGEMENT

IMPACT OF THE COVID-19 CRISIS ON RISK FACTORS

The Covid-19 crisis has exacerbated a number of risks specific to Michelin, such as business interruption and supply chain risks. The preventive, protective and crisis management measures deployed to manage these risks have been shown to be very effective and have significantly reduced the potential effects of the crisis. They are described in more detail in section 2.1.

The Covid-19 crisis, which is not specific to Michelin, did not lead to any new risk issues being identified. In particular, its effects on demand due to the lockdown measures ordered by many governments, represent economic effects that are not specific to the Group. However, the aircraft tires business is exposed to the risk of longer term economic effects. The impact of Covid-19-related events on the Group is described in greater detail at the beginning of the chapter 5 of this Universal Registration Document.

2.1 RISK FACTORS SPECIFIC TO MICHELIN, DESCRIPTION AND RELATED MANAGEMENT SYSTEMS

In today's constantly evolving economic, competitive and technological environment, anticipating and managing risks are central to the success of Michelin's corporate strategy. Its geographic reach and leadership position in the global tire market, as well as the diversity of its business activities, mean that the Group is exposed to a variety of risks, both endogenous and exogenous. Strategic, financial, industrial, commercial, environmental and people-related risks have been clearly identified and are being managed in ways that minimize their occurrence and impact.

For Michelin, a risk corresponds to the possibility of an event occurring whose consequences could affect its objectives, particularly as concerns its impact on people or the planet, including externalities, or on the Group's financial position or reputation. To ensure that risks are rigorously managed, the Group has set up a global risk management process that complies with the most exacting international professional standards such as COSO or the reference framework of the French securities regulator, the AMF and ESMA.

This process is continuously updated to reflect the latest regulatory changes and risk management best practices. As part of its risk mapping procedure, Michelin has reviewed the risks that could have a material adverse effect on people or the planet, or on the Group's financial position or reputation.

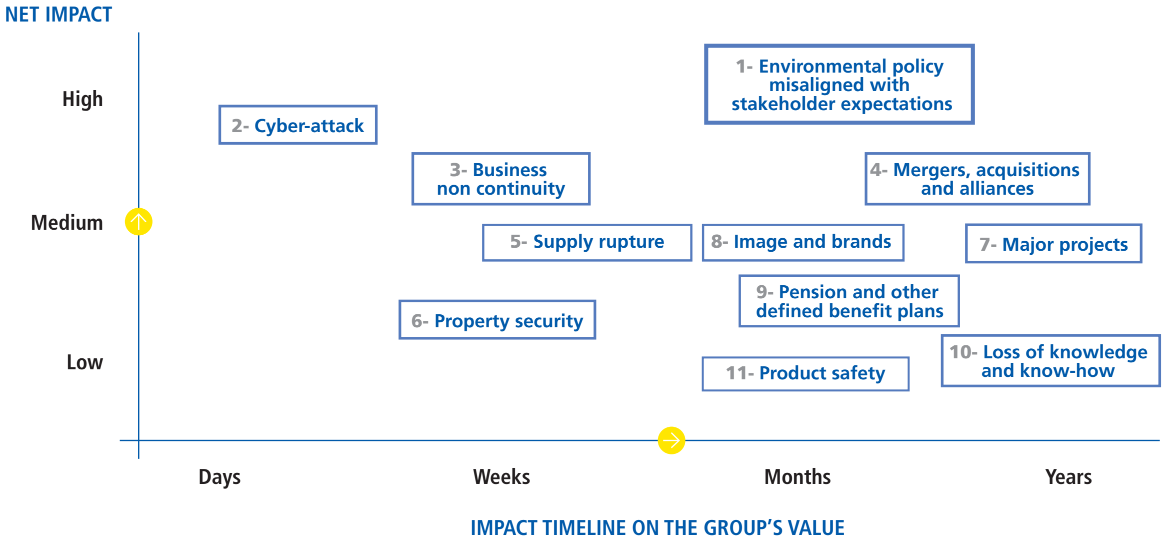
Since the 2019 Universal Registration Document and in accordance with the requirements of Regulation EU 2017/1129, Article 16, the selected risk factors are those factors that (i) have been demonstrated to be specific to Michelin and (ii) have the greatest net impact. This led to 11 risk factors being retained. The net impact corresponds to the gross impact and all the risk mitigation measures deployed by the Group including preventive, protection, crisis management, risk transfer and risk governance measures. The 11 risk factors are presented in the table and charts below:

1. **By category**. The analysis has been performed by placing the risks that have the greatest net impact at the top of each category.

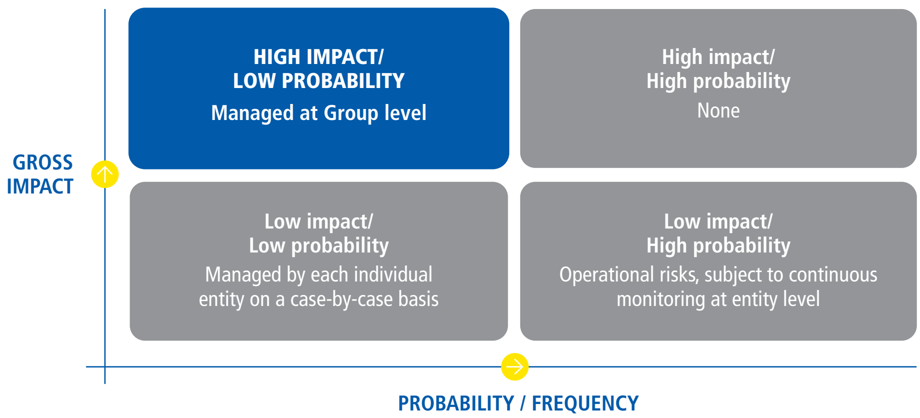
Risk categories	Risk factors
Risks related to Michelin's Operations and Business	Cyber attack
	Business interruption
	Supply chain
	Property security
	Knowledge retention
	Product safety
Risks related to Michelin's Strategy, Organization and Governance	Environmental policy misaligned with stakeholder expectations
	Mergers, acquisitions and alliances
	Major projects
	Reputation
Financial Risks	Pension and other defined benefit plans

2. **Based on their net impact and the impact's duration.** Impact scales are used to qualify the risk's net impact on people or the environment, or on Michelin's financial position or reputation. The financial impact that these risks could potentially have on operating income is measured using the following risk rating scale:

- "High" = more than €400 million
- "Medium" = between €150 million and €400 million
- "Low" = less than €150 million



All 11 risks have a low probability of occurring. They are all in the "high gross impact/low probability" category, as shown below.



Due to the guidance issued by the European Securities Markets Authority (ESMA) and France's securities regulator (AMF) on the risk factors to be discussed pursuant to the European prospectus regulation, several risk factors identified in the "Risk management" section up until 2018 are now discussed in other sections of this Universal Registration Document:

- **Health and safety risks, social cohesion, human resources and human rights management risks, and ethical risks**. Although these risks concern crucial issues of primary importance for Michelin, they do not qualify among the 11 risk factors with the greatest net impact. There are two reasons for this: first, the risks are considered as being effectively managed thanks to the preventive measures deployed by the Group, and second, they are not necessarily specific to Michelin. Nevertheless, the main non-financial risks and the policies in place to prevent or reduce their occurrence are presented in detail in the Non-Financial Information Statement.
- **Market, innovation and competition risks** are considered as being medium or long-term trends that influence the Group's strategy and business model. They are discussed in chapter 1, section *Trends and challenges* (pages 12 and 13).

- **Other risks not specific to Michelin and/or whose net impact is considered low due to the measures deployed to address them (see the discussion of Michelin's financial performance in section 5):**
  - financial risks: liquidity risks, interest rate risks, currency risks, counterparty risks;
  - risk of default by dealers;
  - raw materials risks;
  - legal and tax risks.

Risk 1 – Environmental policy misaligned with stakeholder expectations

Risk factors

As a global player, Michelin:

- generates negative environmental externalities that may have an adverse effect on the planet and the various stakeholders;
- is exposed to physical and transition risks associated with climate change (stricter regulations, property damage and personal injury risks, etc.) and environmental changes (depletion of resources, biodiversity) that may have an adverse effect on its supply chain, as well as on its own businesses and/or those of its customers.

Specific nature of the risk

The main climate risk factors identified by Michelin are specific to the Group's business:

- CO_2 emissions from tires in use[(1)];
- manufacturing and supply chain-related emissions (transportation of semi-finished products between the various Michelin plants, delivery of tires to points of sale across the world);
- gas and particles (VOC, SO_X, NO_X) released into the atmosphere during the tire manufacturing process may be a source of pollution;
- a risk of resource depletion, given that the tire industry uses around 32 million tonnes of materials every year, three-quarters of which are fossil-based, and that volumes are expected to increase between now and 2050;
- a risk of harm to biodiversity posed by the Michelin plants' geographic footprint and the natural rubber and other materials used in the tire manufacturing process.

Risk management response

For its manufacturing, R&D, supply chain and service activities, Michelin has developed an Environmental Management System (EMS) that enables each plant to manage its impact on the environment, on both a day-to-day and long-term basis. 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. The EMS complies with ISO 14001-2015. Since 2018, all of the production plants subject to certification have been certified to these standards. Taking a holistic approach, the SMEP not only identifies environmental risks but also recommends mitigation processes for each one.

Given that this is an emerging risk that is likely to evolve, the management strategy has been supported by risk projection, assessment, monitoring and awareness-raising processes involving all Michelin employees and spanning the entire value chain. Risk management levers:

- monitoring, benchmarking, working collaboratively with industry work groups;
- complete overhaul of the environmental risk map in 2020, to include negative externalities and cover the entire product life cycle;
- independent critical review of the risk management process (Stakeholders Committee, CSR Committee);
- deployment of working methods and tools that take all environmental impacts into account (life cycle analyses, etc.);
- deployment (in progress) of training modules to raise employee risk awareness;
- internal audits of these risks.

Financial risks associated with climate change and the low-carbon strategy: Michelin's low carbon strategy is described in section 4.1.4.1. In its annual disclosures to the CDP (formerly the Carbon Disclosure Project), Michelin follows the June 2017 recommendations of the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) by publishing a list of the risks and opportunities identified as being associated with climate change (https://www.cdp.net/en/responses, see section 4.1.4.1 d). The disclosures include an estimate of the risks' financial impacts and the methods used to manage them. The estimated financial impacts of these risks are currently considered as not being material for the Group's operations. The CDP, an environmental performance-scoring organization, has awarded Michelin a score of A- based on its assessment that the Group had demonstrated leadership in tackling the challenges of climate change. This score recognizes the quality of the Group's governance and strategy, the real progress made in reducing its CO_2 emissions and its long-term goals to reduce its carbon footprint.

(1) Life cycle analyses show that between 70% and 98% of a tire's greenhouse gas emissions are generated during its period of use. This is due to the tire's rolling resistance, which contributes to the vehicle's fuel consumption and therefore also to its CO_2 emissions.

Risk 2 – Cyber attack

Risk factors

Michelin's business relies on state-of-the-art information technology, systems and infrastructure (datacenters, servers and networks). Like any organization using information technology, the Group is exposed to the risk of cyber attacks. These now represent a constant danger and the attacks are becoming increasingly sophisticated. The number of attacks increased significantly in 2020, especially ransomware attacks. Our exposure to this risk increased during periods when many of our employees were working from home. The potential consequences of a cyber attack include business interruption, threats to personal safety, theft of confidential information, breaches of privacy and ransom demands.

Specific nature of the risk

Over the past ten years, we have extensively overhauled our information technology and systems, building on both legacy assets and those of the successive companies acquired. Our broad geographic footprint and highly diverse business base, product ranges and procedures all make for a complex environment, with the result that our information system has several thousand applications, a thousand or so main servers and around 100 datacenters.

The areas of the Group exposed to the risk of cyber attacks are expanding, due in particular to recent acquisitions, the emerging use of connected technologies and objects by operators in our plants and bring-your-own-device practices in some countries.

Risk management response

To deal with the above-described information technology and systems risks, multi-year action plans have been prepared based on the following measures: (i) closely tracking contractual terms and conditions to be able to respond in the event of service provider default, (ii) reinforcing the physical and logical security of IT systems, (iii) systematically reviewing IT continuity needs and putting in place IT recovery plans, and (iv) replacing obsolete components with new ones or a solution combining several applications. The internal auditors regularly monitor and assess these measures to ensure that they are effective and are being correctly applied. Intrusion tests are carried out very regularly to validate the reliability of the Group's detection and protection system. In addition, the Group's Computer Emergency Response Team (CERT) stands ready to intervene at all times across all continents.

Risk 3 – Business interruption

Risk factors

The Group's tires are produced in two stages. First, semi-finished products are manufactured for use as components, which are then processed and assembled to produce the finished products that make up the different types of tires we sell. Consequently, any business interruption incident at a semi-finished product facility could have a significant impact, given that its output may be used by several different finished product plants.

There are a variety of external and internal factors that could give rise to business interruption for either type of production facility. External factors include (i) pandemics, such as the one related to Covid-19, (ii) natural disasters, particularly in high-risk regions such as the United States (tornadoes) and Asia (flooding), or even (iii) regulatory or geopolitical changes. Internal sources of business interruption could include fire, IT failures and other technical problems.

Specific nature of the risk

The business interruption risk at semi-finished product facilities is especially important at Michelin due to our historical manufacturing model. Under this model, semi-finished products are mass-produced at certain plants, which sometimes supply several different finished product facilities. Consequently, if any of these semi-finished product facilities were to be put out of action, this could affect several finished product facilities.

Risk management response

To anticipate this risk, Michelin has set up a specific plan focused on the following four action areas:

1. strategic selection of plant locations to limit the probability of the risk occurring;
2. prevention, by stepping up training for plant staff, conducting technical inspections and strengthening fire safety measures;
3. protection, by keeping buffer inventory of replacement parts for critical equipment, performing regular maintenance, multi-sourcing finished-product inputs, developing multi-sourcing among component suppliers, and striking the right balance between insourcing and outsourcing of component production;
4. management, notably by deploying a Business Continuity Management process for all production activities. This process enables us to respond swiftly in the event of a crisis, by quickly transferring a production line to another plant and identifying critical products so that strategic decisions can be made ahead of time.

This risk management process proved particularly effective during the Covid-19 crisis in 2020 as described in more details at the begning of chapter 5.

Risk 4 – Mergers, acquisitions and alliances

Risk factors

The main risks associated with mergers, acquisitions and alliances are as follows:

- risk of overestimating the value of the target;
- pre-existing risks at the target company, such as ethical, tax, environmental, legal, product liability and cyber risks, that may damage Michelin's reputation;
- risk that expected synergies may not be achieved;
- risk of losing key employees;
- risk of strategic misalignment with a joint venture partner.

Specific nature of the risk

The Group has defined a strategic model organized around four growth drivers: tires and three "adjacent territories" (Services & Solutions, Experiences and High-Tech Materials), supported by the core business and expertise in using high-tech materials, as well as accelerated digitization and the Group's commitment to enhancing the customer experience. Acquisitions are necessary to help us achieve our strategic goals and we have stepped up our efforts in this area since 2014, by acquiring Sascar, Camso, Fenner, Multistrada and Masternaut, and creating various joint ventures including TBC with Sumitomo Corporation, Symbio with Faurecia and Add-Up with Fives. Our ability to meet our goals depends on the success of these acquisitions and alliances.

Risk management response

A governance system has been set up to manage the portfolio of M&A and alliance projects, supported by a specific governance system for each project, under the responsibility of the Managers, supported by the Mergers & Acquisitions department.

For each project, the risk of overestimating the value of the target is attenuated by using a variety of valuation methods (EBITDA multiples, discounted cash flow, ratios on similar deals) and comparing their results, sometimes with the support of an advisory bank. Projects in excess of €50 million are submitted to the Supervisory Board for comment.

Each acquisition is subject to thorough due diligence with the support of internal and/or external specialists. In this way, all of the risks in the acquired company are identified so that the Group can protect itself either by (i) deducting the financial cost of the risks from the purchase price or (ii) covering the risks by escrowing a portion of the proceeds corresponding to their cost. Post-acquisition audits are performed for all material acquisitions.

An integration plan led by an integration project manager is designed and implemented under the supervision of a member of the Executive Committee. The results are reported using an appropriate procedure and are communicated to the Supervisory Board twice a year.

Risk 5 – Supply chain

Risk factors

Every year, Michelin purchases nearly €13 billion worth of goods and services from around 50,000 different suppliers. These purchases may be broken down into three families:

1. raw materials, divided into eight categories: natural rubber, monomers, elastomers, fillers, chemicals, oils and resins, textile reinforcements and metal reinforcements;
2. industrial inputs, including engineering services for building new plants and improving existing facilities;
3. services, primarily logistic, IT, advertising, consulting and travel and transportation for our employees.

The Group is therefore exposed to three types of risk factors related to the supply chain:

- supply chain disruption, due to the fact that some raw materials cannot be sourced close to the plants;
- any imbalance between supply and demand can lead to tighter markets, which in turn can create supply difficulties for rare, high-demand or single-source raw materials;
- the scarcity of certain components can make the Group dependent on its suppliers. For example, consolidation in commodity markets can exert pressure on the supply chain;
- certain regulatory constraints – such as the tightening of environmental regulations in Europe, the United States and a number of emerging markets – can impact the operations of some suppliers.

The Group is also exposed to the risk that one or more suppliers may cease trading, which can happen for a wide variety of reasons including financial difficulties, a deliberate decision to withdraw from an insufficiently profitable business, termination of production following acquisition by a competitor, or the closure of a production facility as a result of a fire, explosion, natural disaster, pandemic (such as the one related to Covid-19) or geopolitical event.

Specific nature of the risk

A tire includes more than a hundred different chemicals, some of which are highly specific, and their continuous availability is critical to production. The risk of supplies being interrupted is particularly acute for Michelin. This is because its products are highly technical and customers expect them to perform to consistently high standards throughout their period of use, leading the Group to introduce procedures banning supplier substitutions unless the impact on performance has been tested.

Risk management response

To more effectively anticipate and prevent supply chain risks, procedures have been introduced to manage purchasing across the Group at the most pertinent level, *i.e.*, local, regional or global. The procedures are also designed to anticipate and manage risks more effectively. More generally, a variety of risk management measures have been implemented across the organization to deal with every type of supply chain risk. These include training employees in this issue to improve risk planning, conducting audits of critical suppliers' business continuity plans, signing multi-year contracts with the main suppliers, looking for new suppliers, maintaining strategic buffer inventory for critical products and seeking substitute products when certain commodities become scarce.

This risk management process proved particularly useful and effective when the risk was exacerbated by the Covid-19 crisis in 2020as described in more details at the begnning of chapter 5.

Risk 6 – Property security

Risk factors

The main property security risk is fire, both in production processes and in storage areas for raw materials and finished products. However, very few significant fire incidents have been reported Group-wide.

Specific nature of the risk

Given the nature of our finished products, semi-finished products and raw materials, a fire or explosion could have health and safety consequences and environmental impacts, as well as leading to the destruction of assets.

In line with our Group's values, priority is given to protecting people (employees, service providers, local communities, etc.) and the environment around our sites.

Risk management response

To manage this risk, Michelin developed the proprietary High Protected Risk Michelin (HPRM) standard, which covers prevention, protection, early detection and rapid response. A corporate team of risk management experts oversees a network of on-site correspondents to ensure that the standard is properly applied. In addition, existing facilities are currently being upgraded to HPRM standards. All new projects are audited by an Environmental and Prevention expert for HPRM-compliance using a proprietary application. Feedback and best practices are systematically shared across the organization and formally documented. Thanks to effective application of this standard, in the past decade no fire or other industrial accident at any of Michelin's sites worldwide has caused serious damage to Group or third-party assets or the environment.

Risk 7 – Major projects

Risk factors

The Group intends to continue investing in its core tire market and its adjacent growth territories (Services & Solutions, Experiences and High-Tech Materials) to support its medium and long-term growth strategy.

It also has a pipeline of technological innovation projects concerning new components or new products and services, to support its strategic expansion in the High-Tech Materials and Services & Solutions territories.

Major transformation or digitization projects are also carried out in areas ranging from the supply chain to customer relationship management and people management.

Michelin is therefore exposed to a number of risks that may arise when implementing major projects, such as the risk of a project falling out of alignment with corporate strategy or failing after not meeting its milestone or budget targets.

Specific nature of the risk

In light of Michelin's evolving strategy, the challenge of adapting to keep pace with the tire markets and the Group's growth objectives in tire-related and other markets, it is essential for resources to be allocated to the right projects and for each project to be executed as efficiently as possible in order to guarantee a healthy return on investment.

Risk management response

To effectively manage the risks that may arise on major projects, the Group has deployed a process to allocate the resources required for their successful completion and a governance system for the entire project portfolio, under the responsibility of the Strategy Department. In addition, to ensure consistent implementation, standard project management methods defined at Group-level are used across the organization. Each major project has its own governance framework, with responsibilities allotted among the project owner, the project manager and the project contributors. Coaches are also assigned to major projects to support project managers in leading the project and managing change. Projects in excess of €100 million are submitted to the Supervisory Board for comment.

Major projects are audited by the Corporate Internal Audit, Risk Management, Internal Control and Quality Department.

Risk 8 – Image and brands

Risk factors

Michelin has an excellent brand image, both in terms of its products and as a company. However, like any other well-known multinational corporation, it is exposed to events and circumstances that could damage its brands and/or reputation.

In addition, the rapidly growing influence of social media means that we are exposed to online reputational risk, at a time when information is being openly and rapidly circulated, in particular on the Internet.

Specific nature of the risk

In light of the MICHELIN brand's image and reputation (the MICHELIN brand power score is nearly two times higher than that of its nearest competitor), an attack on Michelin's image and brand would have a serious adverse effect on the Group.

Risk management response

It is vital to safeguard our reputational equity, which is one of our major assets. A dedicated corporate department, Engagement and Brands, therefore leads a full array of measures to ensure that our brands and reputation are protected.

Among these efficient measures is a systematic, ongoing intelligence process that analyzes online and other media, to identify any initiatives or comments that could spiral out of control and lastingly damage our image.

The crisis management system also helps control reputational risk.

Risk 9 – Risks related to pension and other defined benefit plans

Risk factors

In certain Regions, employee benefit obligations include pension and other defined benefit plans that represent a long-term benefit payment obligation for the Group. These plans may be partly or fully funded. The main factors that affect the amount of the employee benefit obligation are returns on plan assets, actuarial assumptions (including the discount rate), experience adjustments, changes in legislation and plan amendments. An adverse change in one or more of these factors could result in an increase in the amount of the net obligation and consequently require the Group to make additional contributions to make up for the funding shortfall.

Specific nature of the risk

The Group's pension and other defined benefit plans mainly concern North America and the United Kingdom. The total obligation for pensions and other employee benefits amounted to €10.8 billion at December 31, 2020. At the same date, the related plan assets totaled €7.4 billion.

Risk management response

For details of provisions for employee benefit obligations and the measurement and treatment of defined benefit plan risks, see note 27 to the consolidated financial statements.

Risk 10 – Loss of knowledge and know-how

Risk factors

One of Michelin's competitive advantages stems from the ability to sharply differentiate its products and services thanks to continuous, sustained innovation. Consequently, protecting its knowledge, expertise and any and all trade secrets is a key factor in maintaining its leadership and driving its future growth.

Sensitive information mainly concerns products, services, materials, procedures, equipment, techniques and methods, as well as design, testing and manufacturing data. However, information about production, research, marketing and other business strategies, as well as consumer and supplier databases, also risks being lost or stolen.

The Group is exposed to risks in its cooperation with external stakeholders, including consumers, suppliers, partners, subcontractors and academic institutions.

Likewise, it is dependent on the information systems used to store and share sensitive information. In addition, the Group has to take into account the growing use of social networks and the resulting risk of information leakage.

Specific nature of the risk

Given Michelin's heavy investment in innovation, protecting its expertise is essential to maintaining its technological leadership.

Risk management response

To prevent the risk of Michelin know-how and/or expertise being disclosed or lost:

- data are classified and protected according to their level of sensitivity. For example, Cloud Computing solutions are not used for certain categories of data and encryption levels are raised for certain other categories;
- intellectual property is protected through our policy of obtaining patents wherever this is possible or desirable based on a broad vision of the secrets to be protected. Operating markets are monitored to ensure that our intellectual property rights are not infringed;
- sensitive information and assets are also protected by physical security systems.

Risk 11 – Safety risks associated with tire products

Risk factors

The tire activity is Michelin's core business, in which it holds robust leadership positions around the world and across every operating sector: automotive, road transportation (bus and subway tires) and specialty markets (two-wheel, aircraft, earthmover, agricultural, construction and materials handling tires).

Like all tiremakers, if defects appear in our products during their use or if they fail to comply with the applicable regulations, we could be faced with liability claims or be required to recall the products.

Specific nature of the risk

Michelin's focus on customer needs and the quality of its products and services has built confidence in the MICHELIN brand and contributed to the Group's performance.

Although there have been no material events in recent years, should a safety failure occur, this would have a serious adverse effect on the reputation of the MICHELIN brand.

Risk management response

All Group employees, at all points in the value chain, are involved in managing these risks. As explained in the Group's mission statement, "Our priority, and our firm commitment, is to offer our customers uncompromising quality".

- Product design and development projects are managed in accordance with detailed project management procedures. Products and services are described in specifications that cover customer requirements and expressed needs, the potential risks arising from the particular or extreme conditions of use in a given region and all of the applicable standards and regulations. The Research, Development, Process Engineering and Quality functions are responsible for performing robust simulations, tests and other procedures on new products to ensure that they comply fully with the design specifications.
- The entire production process is subject to quality assurance procedures designed to guarantee that the products comply with Michelin's exacting safety and performance standards.
- A product/service performance monitoring process based on the customer experience and customer satisfaction surveys ensures that no signs of a problem go undetected, however weak they may be.

The current processes have been certified by independent organizations.

The Group has taken out specific insurance cover against the risk of product recalls and liability claims. The Group's insurance program is described in section 2.2.4.

2.2 CROSS-FUNCTIONAL RISK MANAGEMENT PROCEDURES

Procedures are in place to manage cross-functional risks.

2.2.1 SYNCHRONIZATION BETWEEN INTERNAL AUDIT, RISK MANAGEMENT AND INTERNAL CONTROL

Quality, Internal Audit, Risk Management and Internal Control have been brought together within a single corporate department, so that a complete part of the organization is dedicated to risk management. This organization provides a shared vision of the primary risks and challenges for the Group. It also promotes efficient monitoring between the second (Internal Control and Risk Management) and third (Internal Audit) lines of defense across all time horizons and across all Group units.

2.2.2 INTERNAL CONTROL PROCESS

Objectives of the internal control process

The Group's internal control process has the following core objectives:

- application of the instructions and guidelines issued by the Managers and the Executive Committee;
- compliance with laws and regulations;
- the proper functioning of internal processes, particularly those relating to the protection of corporate assets;
- the reliability of financial information.

It comprises a set of resources, procedures, practices and actions aligned with the characteristics of the Group's businesses, which:

- contribute to the control over its activities, the efficiency of its operations and the efficient utilization of its resources;
- enable the Group to assess all of its material operational, financial and legal risks appropriately.

In general, the risk management process has been designed to encourage informed, shared risk-taking in accordance with the Group's values of responsibility, integrity and ethical behavior.

Scope of the internal control process

The Group ensures that the internal control process is implemented in every unit:

- The system thereby covers substantially all of the Group's operations, including all Regions and business units (manufacturing, sales and dealership networks). Following each acquisition, an internal control process aligned with the Company's business and risks is deployed in each of the acquired entities.
- The process extends beyond accounting and financial controls to cover all material risks. The areas covered include product quality, procurement, IS/IT, health and safety and communications.

A detailed description of the internal control process covering the preparation of accounting and financial information is provided in section 2.3.

2.2.3 CRISIS MANAGEMENT PROCESSES

Another cross-functional process concerns crisis management. Given its size, the nature of its manufacturing and commercial activities and its environmental and social responsibility, Michelin is exposed in the course of its operations to a risk of crises that could affect its business and, potentially, its reputation. To foresee, plan for and effectively respond to any such events, a crisis management system is in place and led by the Corporate Internal Audit, Risk Management, Internal Control and Quality Department.

The system's underlying processes are regularly updated to ensure maximum effectiveness and responsiveness. It is deployed among the various management teams through large-scale simulation exercises and appropriate training seminars.

This risk management process was put to the test in 2020 during the Covid-19 pandemic, at all levels of the organization. It was shown to be both effective and relevant, even during a crisis of this magnitude. As part of a continuous improvement process, a system was set up at Group level to formally report feedback.

2.2.4 INSURANCE COVERAGE

Some risks can be transferred to insurance companies in line with the Group's insurance strategy, with different solutions used depending on the frequency of the risks concerned.

To cover high-frequency risks, integrated global insurance programs have been arranged, to the extent possible, in the insurance and reinsurance markets. These mainly concern property & casualty/business interruption, liability, accidental pollution and cyber risk insurance:

- the property & casualty/business interruption insurance program provides combined total coverage of €1.5 billion, except for natural disasters, for which the coverage limit may be lower depending on the country;
- the liability insurance program comprises three key coverage areas:
  - product liability for the manufacturing companies,
  - service liability for the marketing and services companies,
  - general business liability, offering direct coverage in European Union countries and countries where the Group operates manufacturing facilities, and umbrella coverage in excess of local cover in all other countries;
- a "pollution" program provides environmental liability coverage;
- a "cyber risk" insurance program covers damages (including additional operating costs) as well as damages to third parties, with a combined limit of €100 million per year.

These programs cover all Group subsidiaries. The 50/50 joint ventures are covered by separate insurance programs that are independent from those of the two shareholders. For companies in which the Group has a non-controlling interest, the majority shareholder is responsible for purchasing appropriate insurance cover. For joint ventures and non-controlling interests, the safeguard clauses included in the Group's insurance programs protect its interests up to the amount of its investment.

To control insurance policy management and reduce costs by pooling medium-frequency risks, the Group has set up a captive insurance and reinsurance company to provide coverage in the following areas, with limits commensurate with its resources:

- property & casualty risks, with a €50 million limit per claim and per year;
- product liability in the United States and Canada, with limits of USD 20 million per claim and USD 40 million per year;
- product recall expenses, with limits of USD 25 million per claim and USD 50 million per year;
- cyber security risks, with a €5 million limit per claim and per year.

Total premiums paid to external insurance companies in 2020 amounted to €25.1 million, up a slight €1 million from 2019. The additional cost was due to tougher market conditions that were not entirely offset by the savings generated on premiums by including recent acquisitions in the Group's insurance programs.

2.3 INTERNAL CONTROL PROCESS RELATING TO THE PREPARATION OF ACCOUNTING AND FINANCIAL INFORMATION

Among the various objectives of the risk management and internal control system, this section focuses on the control activities related to the process of preparing accounting and financial information.

PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The Managers are responsible for disclosing reliable financial and accounting information. The Accounting, Consolidation, Management Control and Financial Communication Departments all contribute to the process of producing this information.

The Group's accounting teams generally report to the heads of the Regions and Shared Service Centers, while its budget controllers analyze the Group's performance based on its three reporting segments.

Consolidated financial reports are prepared monthly according to the same overall process as for the annual financial statements. The internal control procedures required to produce reliable accounting information are defined at Group level and implemented locally. These include a physical inventory of both fixed assets and inventories, segregation of tasks and reconciliation with independent sources of information.

A dedicated team is in charge of aligning accounting policies throughout the Group, monitoring changes in applicable financial reporting standards, updating accounting manuals for all the subsidiaries and dealing with any issues they may raise.

Statutory and management accounting data are reported simultaneously by the subsidiaries, and programmed controls verify that the main indicators – such as revenue and operating income – are consistent between the two sets of data. Statutory accounting data received from the subsidiaries are checked for consistency and then consolidated to produce the Group's financial statements.

Monthly changes in consolidated data are systematically analyzed. Differences between forecast and actual management accounting data are reviewed in detail every month by the Group Executive Committee and the Business Lines.

At every interim and annual closing, the Regional Directors certify in writing that, to the best of their knowledge, the separate accounts submitted by the companies within their Region provide a true and fair view of the results of their operations. This statement specifically covers a number of issues that could significantly affect the financial statements in the event of non-compliance (e.g., applicable laws and regulations and contractual provisions) or occurrence (*e.g.*, disputes or fraud).

The Investor Relations Department, which forms an integral part of the Corporate Finance Department, is responsible for preparing and disclosing all of the Group's financial information to the investing community. Financial information is disclosed in three main forms:

- the Universal Registration Document;
- financial press releases;
- presentations to analysts and investors.

The design and preparation of the Universal Registration Document are coordinated by the Investor Relations Department and approved by the Managers, with significant input from the Group Legal Affairs and Sustainable Development and Mobility Departments. The document contains extensive, high-quality information drawn from contributions by a range of specialists in the Group's main fields of operations.

Financial press releases are written by the Chief Investor Relations Officer; those that announce earnings are also reviewed by the Audit Committee.

Presentations to analysts and investors are prepared by the Investor Relations Department under the supervision of the Corporate Finance Department.

MANAGEMENT OF ACCOUNTING AND FINANCE INTERNAL CONTROL

Group managers can detect any weaknesses in their internal control processes through the systems used to manage their operations. In addition, internal reviews are performed in the units by their specialized experts. Information generated by the management systems is analyzed by the budget control teams and reported to the managers concerned for inclusion in the scorecards used to manage their operations. A management scorecard is also prepared for the Group Executive Committee, enabling it to track the Group's business month by month. On a quarterly basis, similar reports are presented in an appropriate format to the Supervisory Board. The Corporate Finance Department is responsible for ensuring the relevance and consistency of this management data.

The Corporate Digital Transformation and Information Systems Department is in charge of overseeing IT policies and the corresponding resources. The internal control procedures contained in the Group's Quality System include rules relating to data access and protection, the development of applications, and structuring and segregating development, process engineering and production tasks.

RECURRING ASSESSMENTS OF THE ACCOUNTING AND FINANCIAL INFORMATION PREPARATION PROCESS

Self-assessments

To ensure that the work carried out to comply with France's Financial Security Act delivers lasting improvements, the Accounting and Financial Internal Control Department reports to the Corporate Finance Department. It is responsible for managing internal control processes and for overseeing work on financial internal control, with a view to providing reasonable assurance that the Group's financial information is reliable and that its assets are safeguarded.

It defines internal control standards, coordinates and sets up internal control information systems and day-to-day management procedures in coordination with the Corporate Internal Audit, Risk Management, Internal Control and Quality Department.

It also assists the network of internal controllers in the Regions and main areas of operation in implementing these systems and procedures.

Its role includes:

- standardizing internal control best practices and training regional correspondents in their use;
- regularly updating key risks by process;
- defining key control issues in conjunction with the owners of the processes concerned;
- drafting control guidelines and manuals and preparing internal control tests;
- mapping the issues for which controls are applied in the different Group organizations;
- overseeing the regional managers and managers of operational areas concerned;
- structuring the internal control network;
- interfacing with the other stakeholders in the relevant processes, such as process owners, risk managers and internal and external auditors;
- advising on the implementation of transformation projects and programs.

In 2017, the worldwide application for monitoring the entire financial internal control process in place since 2009 was upgraded based on a standard commercial software solution. The new application continues to leverage the guidelines and principles defined in previous phases undertaken since 2004. The model will continue to be extended to cover additional processes and legal entities.

Post-acquisition audits are performed for newly acquired companies and sub-groups that are fully consolidated and an internal control process deployment plan is prepared based on their respective characteristics (manufacturing, sales or financial services business, information system, geographic location, organization and governance, materiality in Michelin's consolidated financial statements, control environment and culture).

An initial internal control self-assessment exercise is carried out with the new teams, in order to meet their needs and help them understand what the Group expects from their internal control process. Action plans are drawn up with the teams concerned in order to help them take ownership of the approach and related tools.

The self-assessment system potentially encompasses the following 17 processes:

- purchasing, from ordering to supplier payment;
- sales, from customer order to payment;
- credit management;
- management of inventories (raw materials, semi-finished and finished products, and spare parts);
- inventory valuations;
- financing and financial risk management;
- management of intra-Group transactions (transfer pricing and elimination of intra-Group balances);
- identification of on and off-balance sheet commitments;
- information systems management and administration (general IT testing);
- accounts closing;
- project and fixed asset management;
- taxes;
- people management (compensation, benefits and travel expenses);
- consolidation;
- investor relations;
- mergers/acquisitions/divestments;
- management of customs affairs, including the Group's customs management processes, import/export management, supervising freight forwarders, organizing delegations of authority, customs documentation, etc.

At every company covered by the system, the key internal control activities for each process are self-assessed and improved by the line personnel concerned every year.

Internal Controller reviews

The key controls for every process are tested on every site at least once every four years and more often where necessary. The results of tests conducted by internal controllers are shared with the external auditors of the Group's companies, so that they can capitalize on the findings and strengthen their own external audit procedures.

Action plans

In each company, action plans are prepared to address the identified areas for improvement and are implemented by line personnel. More generally, this approach is integrated into the continuous improvement process, which is also supported by the findings of the external and internal auditors. In addition, this self-assessment and testing system is applied to the five core components of the internal control process, as defined by the Committee of Sponsoring Organization of the Treadway Commission: control environment, risks assessment, control activity, information and communication, and internal control management.

Action plans are generally scheduled for completion within two years for 80% of compliance shortfalls, excluding information system issues, which take longer to resolve and require more resources. Provisional measures are taken in the interim.

03. CORPORATE GOVERNANCE REPORT

This report has been prepared in application of Article L. 226-10-1 of the French Commercial Code (*Code de commerce*). It was approved by the Supervisory Board on February 12, 2021.

3.1 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Tire manufacturing is a capital-intensive industry in which the pace of technological innovation is relatively slow. It is therefore essential to be able to devise long-term plans and follow them through.

Throughout its history, Compagnie Générale des Établissements Michelin (CGEM), the Group's parent company, has been organized as a partnership limited by shares (S.C.A.).

This partnership model offers three main advantages:

- it aligns Group management decisions with shareholder interests;
- it guarantees clear segregation of management and supervisory powers;
- it fosters direct ties with each shareholder, as all shares must be registered.

There are two partner categories.

The limited partners or shareholders, who provide capital, elect the members of the Supervisory Board and the Managers and approve the financial statements presented by Management. Their liability is limited to the amount of their investment. All Michelin shares are registered, which enables the Group to better understand the expectations of its shareholders, who receive a return on their investment in the form of a dividend.

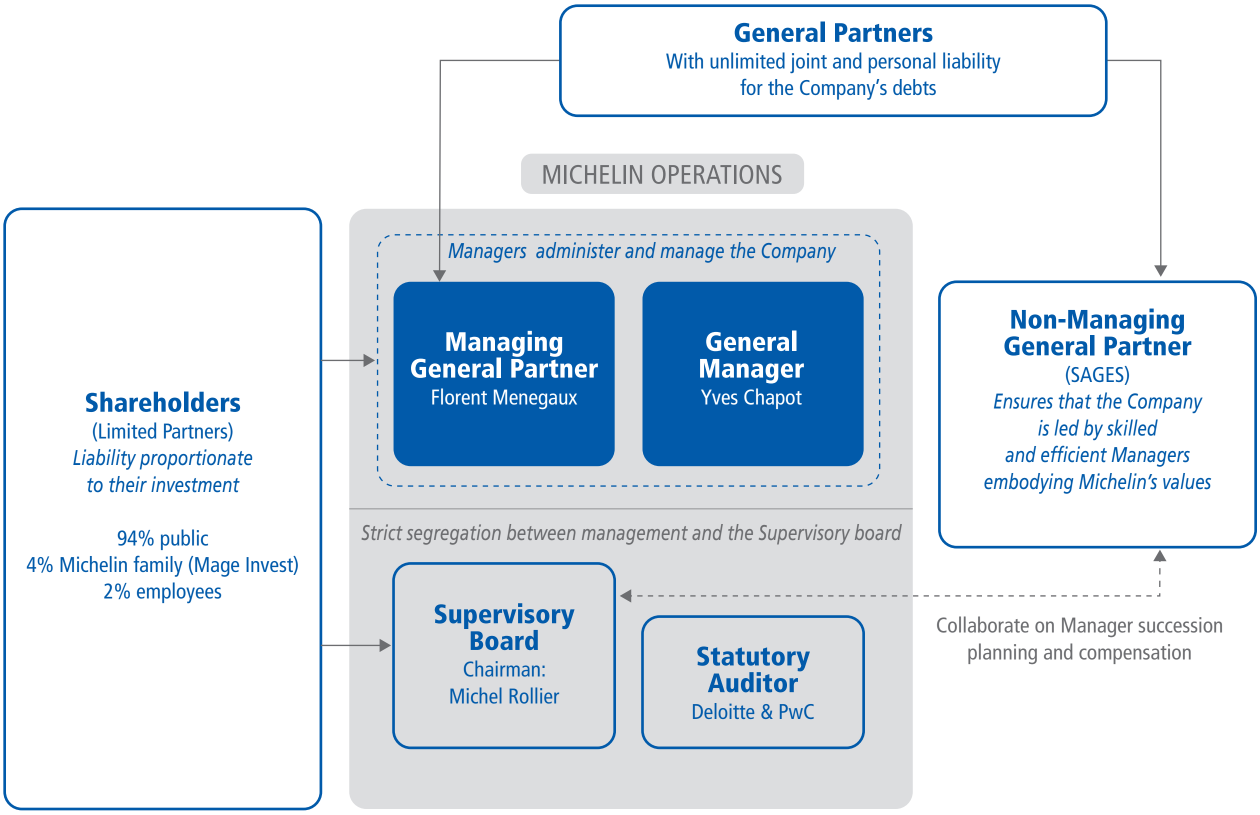
The General Partners, who have unlimited personal liability for the Company's debts. They can be relieved of this liability only by decision of the shareholders in an Extraordinary Meeting. The General Partners may be shareholders but may not take part in any votes to elect Supervisory Board members or appoint Statutory Auditors. The General Partners receive a share of the Company's profits in accordance with its Bylaws, subject to shareholder approval at the Annual Shareholders Meeting.

Since May 17, 2019, Michelin has had two General Partners: Florent Menegaux, Managing Chairman and Managing General Partner, and Société Auxiliaire de Gestion (SAGES), Non-Managing General Partner.

AN AGILE AND ROBUST GOVERNANCE STRUCTURE

Organized as a partnership limited by shares	Compagnie Générale des Établissements Michelin ("Michelin") **has been organized since its foundation as a partnership limited by shares** (*société en commandite par actions* S.C.A.), **a flexible legal framework.**
With customized characteristics	Over the years, Michelin has crafted through this framework **a unique and balanced governance structure, that is a key driver of its sustainable long-term success, robust corporate culture and shared values.**
Continuously enhanced	Michelin constantly reviews and improves its governance and implements safeguards to provide all the **necessary controls and oversight to ensure shareholder protection and convergence of interests between the different stakeholders.**
Serving the Company and its shareholders	This corporate structure **provides stability and helps to protect the Company against short-term pressure that could be detrimental to shareholder value.** The success Michelin has achieved since its creation is the best testament that its governance has served the Company and its shareholders in an efficient manner.

THE PILLARS OF MICHELIN'S GOVERNANCE



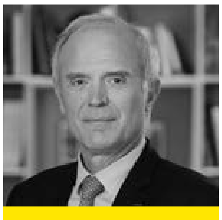
3.1.1 AN EXPERIENCED, STABLE AND RESPONSIBLE MANAGEMENT TEAM

3.1.1.1 Members

Michelin is led by two Managers:

- Florent Menegaux, Managing General Partner elected by the Extraordinary Shareholders Meeting of May 18, 2018, and Managing Chairman
- Yves Chapot, General Manager elected May 18, 2018.

3.1.1.2 Biographical details, directorships and other positions held by the corporate officers at December 31, 2020



FLORENT MENEGAUX

Managing General Partner

Nationality: French

Born in 1962

Business address:
23, place des Carmes Déchaux
63000 Clermont-Ferrand
France

First elected: May 18, 2018

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at December 31, 2020: 27,211[(1)]

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Menegaux joined Price Waterhouse in 1986 as a consultant. He was soon appointed manager, specializing in interest rate risk control and management for banks.

In 1991, Exel Logistics France, a logistics and transport company, offered him the position of Finance Director. Six months later, he was promoted to Chief Executive Officer. From 1995 to 1996, Florent Menegaux was Chief Executive Officer of the General Cargo Transport division for the Norbert Dentressangle group.

In 1997, Florent Menegaux joined Michelin as Commercial Director for Truck tires in the United Kingdom and the Republic of Ireland.

In 2000, Michelin appointed him Sales Director for Truck tires Original Equipment and Replacement markets for North America. In 2003, he became head of Truck tires for South America.

In 2005, he was appointed head of the Africa - Middle East region.

In January 2006, Mr. Menegaux became responsible for the Group's Passenger car and Light truck tire Replacement Business Unit for Europe, before being appointed to the Group Executive Committee as Executive Vice President, Passenger car and Light truck Product Line in 2008. He also oversees Michelin's Motorsports activities and Materials business.

In December 2014, he was appointed Chief Operating Officer and then Senior Executive Vice President of the Michelin Group in 2017.

Since January 2018, he has also overseen the Group's Business Departments, and the Manufacturing, Supply Chain and Customer Experience Operational Departments.

Florent Menegaux was appointed Managing General Partner on May 18, 2018; he became Managing Chairman of Compagnie Générale des Établissements Michelin on May 17, 2019[(2)].

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Managing Chairman of Compagnie Générale des Établissements Michelin[(2)]
- Manager of Manufacture Française des Pneumatiques Michelin

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016-2017

None

2018

- Manager of Manufacture Française des Pneumatiques Michelin
- General Managing Partner of Compagnie Générale des Établissements Michelin[(2)]

2019

- Managing Chairman of Compagnie Générale des Établissements Michelin[(2)]
- Manager of Manufacture Française des Pneumatiques Michelin
- Manager of Compagnie Financière Michelin SCmA *(since May 2019)*

2020

- Managing Chairman of Compagnie Générale des Établissements Michelin[(2)]
- Manager of Manufacture Française des Pneumatiques Michelin
- Managing Partner of Compagnie Financière Michelin SCmA (CFM) *(until October 2020)*

(1) The Company's Bylaws stipulate that the Managing General Partner must hold at least 5,000 shares.
(2) Listed company.

YVES CHAPOT

General Manager

Nationality: French

Born in 1962

Business address:
23, place des Carmes Déchaux
63000 Clermont-Ferrand
France

First elected: May 18, 2018

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at December 31, 2020: 11,700

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Yves Chapot holds a degree as a certified public accountant.

After an initial work experience at the Arthur Andersen consulting and audit firm, Yves Chapot joined the Michelin Group in 1992, assuming various management responsibilities within the internal audit team.

In 1997, he was appointed Chief Executive Officer for Taurus in Hungary. In 1999, he became Chief Financial Officer for Europe.

From 2005 to 2012, he was responsible for Michelin China. From 2007 to 2009, he was also in charge of the Passenger car and Light truck tire business for Asia.

In 2012, he was named head of Euromaster, before being appointed to the Group Executive Committee as Executive Vice President, Distribution in December 2014.

In March 2017, he was appointed Executive Vice President for the Passenger car and Light truck Product Line.

In January 2018, Mr. Chapot became Executive Vice President, Automotive Business Lines. He oversees the Automotive B2C Global Brands, Automotive B2C Regional Brands, Automotive Original Equipment Business Lines, and the following three Regions: Africa, India & Middle East, East Asia & Australia, and China.

Mr. Chapot was appointed General Manager of Compagnie Générale des Établissements Michelin on May 18, 2018.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- General Manager of Compagnie Générale des Établissements Michelin(1)
- Chairman of Compagnie Financière Michelin Suisse S.A.
- Chairman of Compagnie Financière Michelin S.A.

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016-2017

None

2018

- General Manager of Compagnie Générale des Établissements Michelin(1)

2019

- General Manager of Compagnie Générale des Établissements Michelin(1)
- Director of Compagnie Financière Michelin Suisse SA *(since January 2019)*

2020

- General Manager of Compagnie Générale des Établissements Michelin(1)
- Director *(until December 2020)* then Chairman *(since December 2020)* of Compagnie Financière Michelin Suisse SA
- Chairman of Compagnie Financière Michelin SA *(since November 2020)* (previously Compagnie Financière Michelin SCmA until the October 2020 change in its legal form)

(1) Listed company.

3.1.1.3 Role and responsibilities

The Managers are responsible for administering and managing the Company.

Their core responsibilities are to:

- define and implement the Group's strategy;
- lead the Group's business;
- establish internal control and risk management procedures and oversee their implementation;
- approve the financial statements of the Company and the Group;
- define financial information policies;
- prepare the various reports to shareholders.

The Group's operations are organized into three reportable segments (Automotive, Road Transportation and Specialties) dedicated to serving their global markets with products and services offered through 19 Business Lines.

Based on the needs identified by the Regions, the Business Lines define their strategy for designing market-leading products and services aligned with their competitive environment.

The 10 Regions are the direct points of contact with customers. Leveraging their close proximity to local markets and consumers, they identify key needs and market the products and services developed by the Business Lines. They represent the Group in the region and are responsible for customers' satisfaction.

Operational support is provided by six Operating Departments, which oversee the cost-effective design, manufacturing and organization of product and service flows to meet our customers' expectations:

- Research & Development Department;
- Manufacturing Department;
- Supply Chain Department;
- Customer Experience;
- Purchasing Department;
- Corporate Business Services Department.

Support functions, broken down into:

- local services integrated into the organization of the Regions;
- globalized platforms providing the best service to business and operating units in terms of cost, quality and lead times.

A lean Corporate group. This group is responsible for spearheading design and overall strategy as well as regulating interactions between the various entities and ensuring local initiatives are in line with the Group's project. It therefore focuses on the areas of Strategy, Innovation and Partnerships, Digital, Engagement & Brands, Internal Audit, Risk Management, Internal Control and Quality, Legal, Human Resources, Finance, Information Systems Security, Security and IT Environment Security.

The Managing Chairman is assisted by the Group Executive Committee presented on page 35 Chapter 1. A Group Management Committee is responsible for ensuring that the Executive Committee's decisions are widely embraced across the organization (see Chapter 1, page 36).

3.1.1.4 Liability

The Managing General Partners have unlimited personal liability for the debts incurred by Compagnie Générale des Établissements Michelin. This offers shareholders a rarely found level of assurance that the Group is run in their medium- to long-term interests, particularly during times of volatile markets or economic crisis. It also means that the Managers are especially vigilant in their management of corporate risks.

Consistent with this long-term commitment, the Managing General Partners may not relinquish their status as General Partners without the prior approval of shareholders given at an Extraordinary Meeting. They are therefore bound to assume the long-term consequences of the Group's management decisions.

3.1.2 SAGES, A NON-MANAGING GENERAL PARTNER, GUARANTEEING THE COMPANY'S LONG-TERM VIABILITY

In application of CGEM's Bylaws, Société Auxiliaire de Gestion (SAGES) is a Non-Managing General Partner of CGEM and consequently has unlimited liability for the Company's debts.

3.1.2.1 Membership and organization

SAGES is a French société par actions simplifiée (joint stock company) registered in Clermont-Ferrand under No. 870 200 466.

The Chairman of SAGES, Jacques d'Armand de Chateauvieux, is its only executive director.

SAGES has three groups of shareholders – members of the founding family, current and former Michelin executives and qualified persons from outside the Group – each of which has the same proportionate shareholding and the same number of seats on its Board of Directors.

3.1.2.2 Biographical details, directorships and other positions held by the Chairman of SAGES at December 31, 2020

The Chairman of SAGES, Jacques d'Armand de Chateauvieux, is its only executive director.

JACQUES D'ARMAND DE CHATEAUVIEUX

Charmain of SAGES
Non-Managing General Partner

Nationality: French

Born in 1951

Business address:
JACCAR
Montée de l'Université
13003 Marseille
France

Number of shares held at December 31, 2020:
no shares owned directly
348,300 shares owned by SAGES

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Jacques d'Armand de Chateauvieux is a graduate of Institut supérieur de gestion de Paris and holds an MBA from Columbia University, New York. As Chairman of Bourbon since 1979, he was instrumental in converting the company from a diversified conglomerate into an international group specialized in offshore oil and gas marine services.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Chairman of Jaccar Holdings SAS (France)
- Statutory Manager of CT CORP Sarl (France)
- Chairman of Sapmer S.A. [(1)]
- Chairman and Director of Sapmer Holding (Singapore)
- Chairman of Sapmer Investissements SAS (France)
- Chairman and Director of Greenship Holdings Manager Pte. Ltd (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Chairman of Bourbon (France)
- Statutory Manager of CT Lux Sarl (Luxembourg)
- Chairman and Managing Director of Jaccar Holdings S.A. (Luxembourg)
- Chairman of Sapmer S.A. [(1)]
- Chairman of Sapmer Holding (Singapore)
- Chairman and a Director of Greenship Holdings (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)
- Partner of Compagnie Financière Michelin SCmA

2017

- Chairman and Managing Chairman of Bourbon Corporation S.A.[(1)] (France)
- Statutory Manager of CT Lux Sarl (Luxembourg)
- Chairman of Jaccar Holdings SAS (France)
- Chairman of Sapmer S.A. [(1)]
- Chairman and Director of Sapmer Holding (Singapore)
- Chairman of Sapmer Investissements SAS (France)
- Chairman and Director of Greenship Holdings Manager Pte. Ltd (Singapore)
- Chairman of Evergas A/S (Denmark) Director of Sinopacific Shipbuilding Group (China)
- Partner of Compagnie Financière Michelin SCmA

2018

- Chairman and Managing Chairman of Bourbon Corporation S.A.[(1)] (France)
- Statutory Manager of CT Lux Sarl (Luxembourg)
- Chairman of Jaccar Holdings SAS (France)
- Chairman of Sapmer S.A. [(1)]
- Chairman and Director of Sapmer Holding (Singapore)
- Chairman of Sapmer Investissements SAS (France)
- Chairman and Director of Greenship Holdings Manager Pte. Ltd (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)
- Partner of Compagnie Financière Michelin SCmA

2019

- Chairman and Managing Chairman of Bourbon Corporation S.A.[(1)] (France)
- Statutory Manager of CT Lux Sarl (Luxembourg)
- Chairman of Jaccar Holdings SAS (France)
- Statutory Manager of CT CORP Sarl (France)
- Chairman of Sapmer S.A. [(1)]
- Chairman and Director of Sapmer Holding (Singapore)
- Chairman of Sapmer Investissements SAS (France)
- Chairman and Director of Greenship Holdings Manager Pte. Ltd (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)
- Partner of Compagnie Financière Michelin SCmA

2020

- Chairman and Managing Chairman of Bourbon Corporation S.A.[(1)] (France)
- Chairman of Jaccar Holdings SAS (France)
- Statutory Manager of CT Lux Sarl (Luxembourg) *(until December 2020 when CT Lux Sarl became CT CORP Sarl)*
- Statutory Manager of CT CORP Sarl (France)
- Chairman of Sapmer S.A. [(1)]
- Chairman and Director of Sapmer Holding (Singapore)
- Chairman of Sapmer Investissements SAS (France)
- Chairman and Director of Greenship Holdings Manager Pte. Ltd (Singapore)
- Chairman of Evergas A/S (Denmark)
- Director of Sinopacific Shipbuilding Group (China)
- Partner of Compagnie Financière Michelin SCmA *(until October 2020)*

(1) Listed company.

3.1.2.3 Role and responsibilities

Société Auxiliaire de Gestion (SAGES) is a Non-Managing General Partner of CGEM and, as such, is responsible for guaranteeing the Company's management continuity. It has unlimited joint and several liability alongside the Managers for third party claims arising from the financial consequences of the Managers' management. General Partners can be relieved of this liability only by decision of the shareholders in an Extraordinary Meeting. The General Partners may be shareholders but may not take part in any votes to elect Supervisory Board members or appoint Statutory Auditors.

As SAGES is not a Manager, it is not authorized to play any part in the Company's management. However, if the position of CGEM's Manager were to fall vacant, SAGES would take on the Manager's role for an interim period and would be responsible for calling an Extraordinary Shareholders Meeting to elect a new Manager.

SAGES plays a key role, alongside the Supervisory Board and its Compensation and Appointments Committee, in the Managing Partner succession planning and compensation processes described in section 3.1.4 below.

To enable SAGES to assume its liability as Non-Managing General Partner of CGEM, at least 80% of its distributable earnings (derived mainly from the share of profits paid by CGEM in accordance with CGEM's Bylaws) is allocated to a contingency reserve fund set up purely for the purpose of covering any losses that may result from its liability as CGEM's General Partner or, on an exceptional, interim basis, as Manager. At least 30% of the reserve is invested in CGEM shares.

As part of the process to continuously modernize the Group's governance, the following changes were decided by SAGES and included in its Bylaws in December 2020:

- SAGES' main corporate documents (annual reports, management reports, auditors' reports, and proposed resolutions submitted to the partners, which contain information on (i) the terms of office and proposed elections of directors and (ii) the categories and breakdown of assets constituting the contingency reserve referred to above) shall be sent periodically to Michelin's Managing General Partner to be uploaded to the Group's website, www.michelin.com.
- Any proposal to pay an annual dividend to SAGES' partners for an amount in excess of the cap specified in the Bylaws shall be submitted to the Managing General Partner for prior approval.
- The Managing General Partner (or the Chairman of the Supervisory Board if there is no Managing General Partner) shall be consulted prior to approving any new partner of SAGES and his or her designation as a director of the Company.
- Any proposal to amend SAGES' Bylaws to change its role and/or change the indefinite several liability of the General Partners shall be submitted to the Managing General Partner for prior approval.

3.1.3 STRICT SEPARATION BETWEEN THE SUPERVISORY BOARD (AND ITS COMMITTEES) AND MANAGEMENT

3.1.3.1 Membership of the Supervisory Board and membership changes in 2020

SUPERVISORY BOARD AS OF DECEMBER 31, 2020

11 members, of which 1 senior independent member

78% independent members*

45% women members*

22% are not French*

* *Excluding the employee representatives.*

Members

In accordance with the applicable law and the Company's Bylaws, the Supervisory Board currently has eleven members(1), including nine selected from among the shareholders and elected by the Annual Shareholders Meeting for a term of four years and two representing employees.

General Partners may not take part in the vote. Supervisory Board members may be re-elected. Supervisory Board members may be re-elected. No more than one-third of Supervisory Board members may be aged over 75.

(1) Five years for members elected prior to 2009. Certain members may be elected for a two- or three-year period in order to effectively stagger the terms of office of Supervisory Board members.

As of December 31, 2020 and as of the date of this report, the Supervisory Board had 11 members. Its membership complies with Articles L. 226-4-1 and L. 22-10-74 of the French Commercial Code concerning the balanced representation of men and women on Boards of Directors and Supervisory Boards and gender equality in the workplace, and the representation on the Board of employees of the Company and the Group.

The Supervisory Board's internal rules stipulate that each member must hold at least 400 shares or 600 shares in the case of the Chairman[(1)].

Information about the compensation of Supervisory Board members is presented in sections 3.3.3, 3.5.1 and 3.6.1.4.

Overview of the Supervisory Board (as of December 31, 2020)

Member	Independent[(1)]	Committee(s)	First elected	Re-elected[(2)]	Current term expires (AGM)[(3)]	Years on the Board	Number of shares held	Nationality	Age	Gender
Michel Rollier (C)	–	-	2013	2017	2021	7	24,392	French	76	M
Barbara Dalibard	–	Audit	2008	2013[(2)] 2015[(3)] 2019	2023	12	685	French	62	F
Jean-Pierre Duprieu	✓	Compensation and Appointments (C)	2013	2016 2020	2024	7	510	French	68	M
Aruna Jayanthi	✓	Compensation and Appointments	2015	2019	2023	5	400	Indian	58	F
Anne-Sophie de La Bigne	✓	Compensation and Appointments Corporate Social Responsibility	2013	2016 2020	2024	7	903	French	60	F
Patrick de La Chevardière	✓	Audit (C)	2020	-	2024	1	400	French	63	M
Jean-Christophe Laourde (RE)	–	-	2020	-	2024	-	81	French	45	M
Thierry Le Hénaff (S)	✓	Audit	2018	-	2022	2	400	French	57	M
Monique Leroux	✓	Audit Corporate Social Responsibility (C)	2015[(4)]	2018	2022	5	1,000	Canadian	66	F
Delphine Roussy (RE)	–	-	2020	-	2024	-	10	French	38	F
Jean-Michel Severino	✓	Corporate Social Responsibility	2020[(5)]	-	2022	-	400[(6)]	French	63	M

(C): Chairman (S): Senior Independent Member (RE): Member representing employees

(1) Based on the criteria set in the Supervisory Board's internal rules which correspond to those recommended in the AFEP/MEDEF Corporate Governance Code for listed companies.
(2) At the Annual Meeting of May 15, 2009, shareholders voted to reduce the term of Supervisory Board members from five years to four.
(3) At the Annual Meeting of May 17, 2013, shareholders voted to elect Supervisory Board members for terms of two, three or four years, so that their terms do not all expire at the same time.
(4) Monique Leroux was appointed as a member of the Supervisory Board on October 1, 2015 to replace Laurence Parisot, who had resigned, for the remainder of Ms. Parisot's term of office.
(5) Jean-Michel Severino was appointed as a member of the Supervisory Board on November 12, 2020 to replace Cyrille Poughon, who had resigned, for the remainder of Mr. Poughon's term of office.
(6) At January 20, 2021

Changes in 2020

The Supervisory Board pays close attention to the situation of members whose term is due to expire at the next Annual Shareholders Meeting.

The terms of office of Anne-Sophie de La Bigne and Jean-Pierre Duprieu expired at the close of the Annual Shareholders Meeting on June 23, 2020 and Olivier Bazil announced that he intended to step down from the Board at the close of the meeting.

(1) With the exception of members representing employees.

Anne-Sophie de La Bigne and Jean-Pierre Duprieu informed the other Supervisory Board members that they wished to stand for re-election. Patrick de La Chevardière was selected by the Compensation and Appointments Committee as a candidate to fill the seat left vacant by Olivier Bazil's resignation.

Following this review, on the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided (without the persons concerned taking part in the decision) to recommend to the Annual Shareholders Meeting:

- to re-elect Anne-Sophie de La Bigne for a four-year term (resolution of the Annual Shareholders Meeting of June 23, 2020 adopted by a majority of 99.85% of the votes cast);
- to re-elect Jean-Pierre Duprieu for a four-year term (resolution of the Annual Shareholders Meeting of June 23, 2020 adopted by a majority of 99.86% of the votes cast);
- to elect Patrick de La Chevardière for a four-year term (resolution of the Annual Shareholders Meeting of June 23, 2020 adopted by a majority of 99.88% of the votes cast).

Cyrille Poughon also stepped down from the Board during the year and was replaced by Jean-Michel Severino by decision of the Board. Jean-Michel Severino's appointment as an independent Supervisory Board member and member of the new Corporate Social Responsibility Committee (CSR Committee) will be submitted to shareholders for ratification at the next Ordinary Shareholders Meeting.

3.1.3.2 Role and responsibilities

The Company applies the recommendations set out in the Corporate Governance Code for Listed Companies ("AFEP/MEDEF Code", revised version dated January 2020).

In accordance with the introduction to the Code, these recommendations are adapted as necessary to reflect the Company's organization as a partnership limited by shares ("SCA").

To enable the Supervisory Board to effectively fulfill its oversight role, its members receive quarterly reports presenting key performance indicators, as well as regular information such as copies of the Group's main press releases, research reports published by analysts who follow Michelin, and updates on the Group's markets.

THE SUPERVISORY BOARD'S SPECIFIC ROLES AND RESPONSIBILITIES

SPECIFIC DUTIES OF THE SUPERVISORY BOARD REGARDING THE GROUP'S STRATEGY

- **Regular review of the Group's strategy**
- **Periodic review of the Group's:**
  - markets of operation,
  - financial results and financial statements,
  - organization and operations,
  - risk management and internal control policies,
  - compensation and appointment policies,
  - corporate social responsibility policy;
- **Formal recommendation to the Managers for:**
  - significant investments,
  - external growth transactions,
  - divestitures,
  - off-balance sheet commitments.

To enable the Supervisory Board to effectively fulfill its oversight role, its members receive quarterly reports presenting key performance indicators, as well as regular information such as copies of the Group's main press releases, research reports published by analysts who follow Michelin, and updates on the Group's markets.

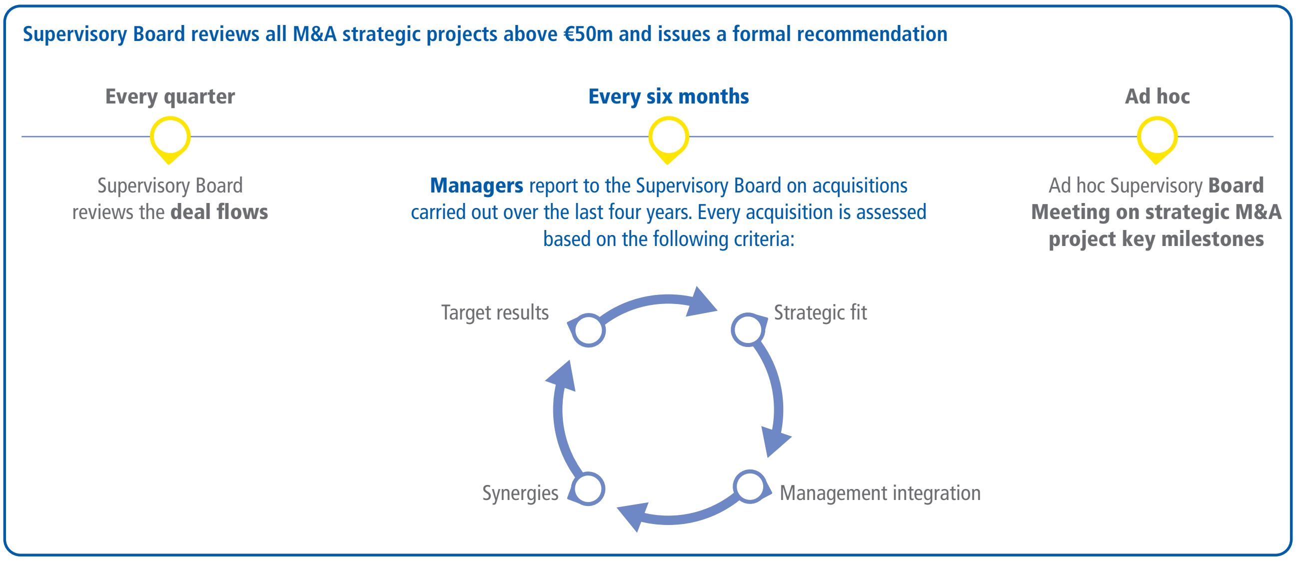
SPECIFIC DUTIES OF THE SUPERVISORY BOARD REGARDING CORPORATE GOVERNANCE

- **Prior Board approval:**
  - Managers' renewal,
  - Managers' dismissal and severance payments;
- **Prior Board recommendation to the shareholders:**
  - appointments of new Managers and of the Managing Chairman,
  - General Managers' compensation (policy, information) and Supervisory board members compensation;
- **Determination of Managers' compensation performance criteria and assessment of Managers' achievement of compensation performance targets**
- **Prior Board recommendation regarding:**
  - appointments and succession planning for members of the Executive Committee,
  - diversity objectives within management bodies and corresponding action plans,
  - compensation policy for members of the Executive Committee.

The recommendation provided under Article 1.9 of the AFEP/MEDEF Code, according to which material transactions outside the scope of the firm's stated strategy should be subject to prior approval by the Board of Directors, has to be adapted because of the Company's legal form as a partnership limited by shares[(1)]. With this type of partnership, the Managing General Partners have unlimited personal liability. There is also a total separation of powers between Managers, whether or not they are General Partners. Their powers are completely separate from those of the Supervisory Board, with the result that the Supervisory Board has no authority to become involved in managing the Company.

However, to (i) ensure that the Supervisory Board exercises effective oversight of the Company's management and (ii) adhere to the spirit of the AFEP/MEDEF recommendation, since 2011 the Company has amended its Bylaws, as well as the Supervisory Board's internal rules[(2)].

The internal rules state that the Supervisory Board is responsible for examining investment and external growth transactions, off-balance sheet commitments and asset disposals, and is required to issue a formal opinion in cases where the transactions are material for the Group due to their nature or associated risks. For this purpose, "material" means transactions representing at least €100 million, or at least €50 million in the case of external growth transactions. This means that the Supervisory Board is automatically consulted about all projects that are material for the Group. Moreover, as it expresses an opinion on such projects, it is clearly able to report to shareholders thereon if appropriate.



(1) This exception to the full application of the AFEP/MEDEF Code's recommendations is mentioned in the table in section 3.2.8 prepared in accordance with the "comply or explain" rule."

(2) Available from the Group's website www.michelin.com.

3.1.3.3 Diverse profiles and experiences represented on the Board – Gender balance on management bodies

Diverse profiles and experiences represented on the Board

In line with the Group's values, the Board consistently endeavors to propose candidates from diverse backgrounds and cultures and with diverse experiences, so that its membership is balanced and aligned with its role and responsibilities.

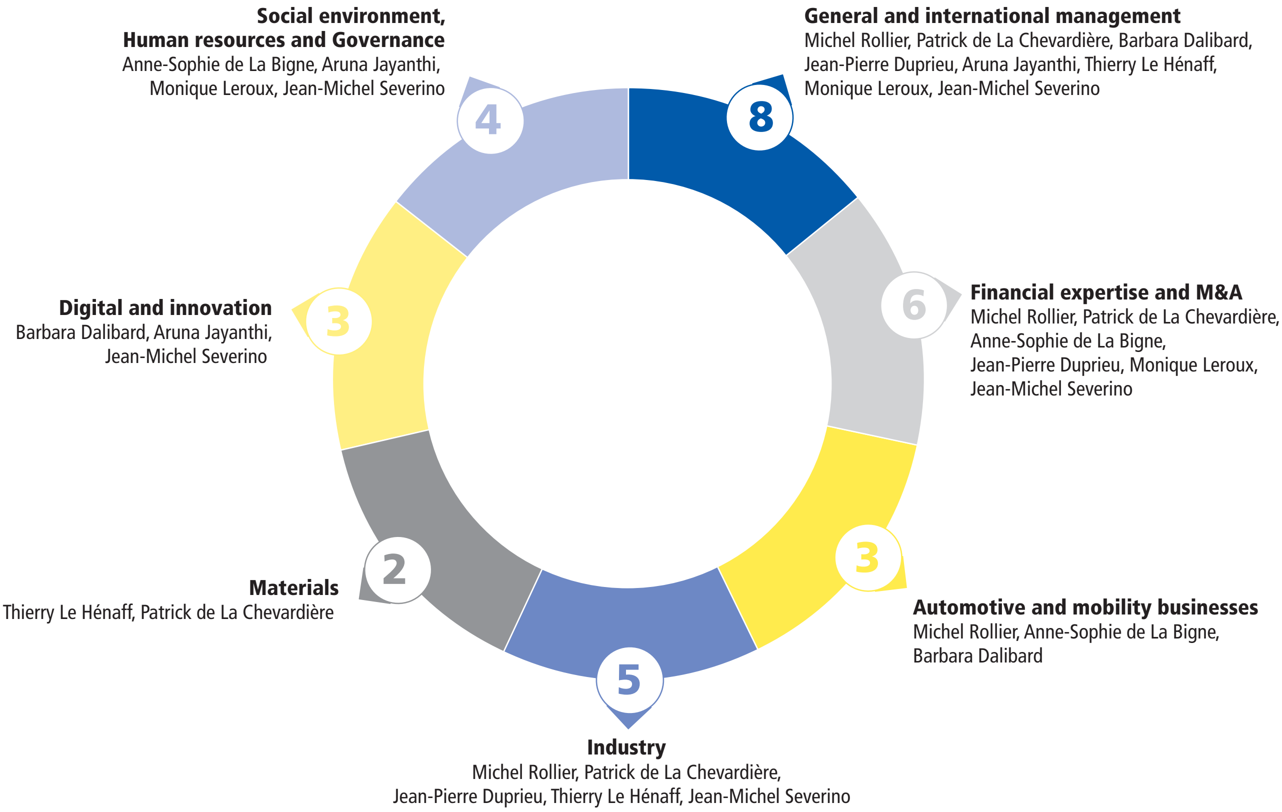
The main terms of the diversity policy are proposed by the Compensation and Appointments Committee. The policy is applied by the Committee and the Board when preparing Supervisory Board succession plans and assessing the Board's practices. They can be assisted by recognized outside consultants.

The Supervisory Board diversity policy for 2020 is described below, as required by Article L. 22-10-10-2 of the French Commercial Code.

Criteria	Objectives confirmed in 2020	Implementation method	2020 results
Age limit	No more than one-third of Supervisory Board members to be aged 75 or over	No candidates aged 75 or over should be proposed for election or re-election at the Shareholders Meeting if their election or re-election would result in the one-third limit being exceeded	The candidates elected or re-elected at the Shareholders Meeting did not result in over one-third of Board members being aged 75 or over
Supervisory Board gender equality	At least 40% of Board members should be women, as required by Article L. 22-10-74 of the French Commercial Code	Board to recommend to the Shareholders Meeting to re-elect incumbent women members and elect women candidates to replace women who are stepping down	Anne-Sophie de La Bigne and Jean-Pierre Duprieu were re-elected on the Board's recommendation, maintaining the proportion of women members at 45%
Availability/ attendance	Members should demonstrate, through their availability and attendance rate at meetings of the Board and Board Committees, that they devote the necessary time and attention to their duties (going beyond the statutory requirements and the requirements of the AFEP/ MEDEF Code concerning multiple directorships)	Over half of each member's compensation is tied to his or her attendance rate at meetings of the Board and its Committees Incumbent Board members will not be proposed for re-election if their average attendance rate at scheduled meetings was less than 85% over the last three years of their term of office	The average attendance rate over the three years 2017/2018/2019 of Anne-Sophie de La Bigne and Jean-Pierre Duprieu, who were re-elected on the Board's recommendation, was 100% and 97% respectively The Board members' overall attendance rate in 2020 was 100%
Qualifications/ professional experience/ international outlook/adherence to the Group's values	Board members should offer an appropriate overall combination of academic qualifications, professional experience in the areas of manufacturing, finance, internal control, digital technology and leadership of major French listed groups with a global reach, and adherence to the Group's values	Decisions concerning candidates to be proposed for re-election or election to the Board by the Shareholders Meeting focus on maintaining the overall qualitative combination of qualifications and experience in the areas of executive management and new technologies	Patrick de La Chevardière, who was appointed by the Board to fill the seat left vacant by the resignation of Olivier Bazil, is an expert in finance and M&A (details of his experience are provided in section 7.2.1.1 of the 2019 Universal Registration Document)
	A specific objective for the period to 2023 is to consolidate/strengthen the expertise in sustainability and digital technologies represented on the Board	The Chair and the majority of members of the Audit Committee are selected for their academic qualifications and international experience in finance and internal control More detailed examination of CSR issues by the Board	Creation of a CSR Committee (see section 3.2.11 of this report) and appointment to the Board of Jean-Michel Severino, who contributes his social environment, human resources and governance expertise (details of his experience are provided in section 7.2.1 of the 2020 Universal Registration Document) 22% of Board members were foreign nationals in 2020

Criteria	Objectives confirmed in 2020	Implementation method	2020 results
Size of the Board	Number of Board members should not exceed the ten-member cap specified in the Bylaws (not including members representing employees elected in accordance with the law), to guarantee Board efficiency by fostering effective interactions between members and between the Board and the Managers	No additional members to be proposed for election at the Shareholders Meeting, except to comply with legal requirements	No additional members were proposed for election in 2020 and the number of members (excluding members representing employees) was unchanged
Independence	At least 50% of Supervisory Board members should be independent, based on the definition in the AFEP/MEDEF Code	Incumbent independent members to be proposed for election for as long as they fulfill the independence criteria (in particular, not to have served on the Board for more than 12 years) or new independent members to be proposed for election to replace members who no longer fulfill the independence criteria	Anne-Sophie de La Bigne and Jean-Pierre Duprieu, who were re-elected on the Board's recommendation, are both independent members Patrick de La Chevardière who was elected to the Board, and Jean-Michel Severino who was appointed, to replace two members who had stepped down (including one non-independent member) are both independent members; 78% of members were independent in 2020 (excluding members representing employees)
Employee representation on the Supervisory Board	A new objective set in 2019: to improve application of the new rules resulting from the PACTE Act (Act No. 2019-486), designation of two members representing the employees of the French subsidiaries for eight members elected by the shareholders	Resolution presented at the 2020 Annual Shareholders Meeting to include the necessary clause in the Company's Bylaws for the designation of two Supervisory Board members representing the employees of the French subsidiaries	As from 2014, one member representing employees was elected to the Board by the Annual Shareholders Meeting. ▶ The Annual Shareholders Meeting of June 23, 2020 decided to amend the Company's Bylaws to comply with the PACTE Act, and ▶ in December 2020 the Supervisory Board welcomed two new members representing employees, Delphine Roussy and Jean-Christophe Laourde

The experience and expertise contributed by each member of the Supervisory Board[1] as of the date of this Universal Registration Document may be summarized as follows:



Gender balance on management bodies[2]

As for all corporate social responsibility issues, the CSR Committee reviews the Group's policies and ambitions in terms of diversities and inclusion.

Michelin has launched a certain number of initiatives to make all positions accessible to women and ensure gender wage parity. Specific action plans have been launched in each of the Group's host regions to increase the number of women in management positions, with a view to raising the proportion of women managers to 30% by 2020. This plan is detailed in section 4.1.2.2 c) of this 2020 Universal Registration Document. Its implementation led to measures to rebalance the membership of the Group's management bodies, including that of the Executive Committee[3].

(1) Excluding members representing employees.
(2) The reporting scope for this information extends beyond the Company, which has less than five employees (none of whom are executive directors).
(3) Appointments announced on December 7, 2020.

3.1.3.4 Biographical details, directorships and other positions held by the corporate officers at December 31, 2020

Information about Supervisory Board members

Detailed information about each of the Supervisory Board members is presented below.

MICHEL ROLLIER

Non-independent member of the Supervisory Board
Chairman of the Supervisory Board

Nationality: French

Born in 1944

Business address:
Michelin
27, cours de l'Île-Seguin
92100 Boulogne-Billancourt
France

First elected: May 17, 2013

Current term expires: 2021 (Annual Shareholders Meeting called to approve 2020 financial statements)

Number of shares held at December 31, 2020: 24,392

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Michel Rollier is Chairman of the Supervisory Board of Somfy S.A.(1)

He began his career at Aussedat-Rey (part of the International Paper group) in 1971, initially occupying the post of Financial Controller before going on to head up a business unit. He then held the position of Chief Financial Officer between 1987 and 1994 and subsequently Deputy Managing Chairman from 1994 to 1996.

He joined Michelin in 1996 as Vice President, Financial & Legal Affairs and then served as Chief Financial Officer and a member of the Executive Council from 1999 to 2005.

He was elected Managing General Partner by Michelin's shareholders on May 20, 2005, serving alongside Édouard Michelin until Mr. Michelin's tragic death in 2006. Mr. Rollier stepped down as Managing General Partner in May 2012.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Chairman of the Supervisory Board of Somfy S.A.(1)
- Chairman of the Remunerations Committee of Somfy S.A.(1)
- Chairman of the Board of Directors of Siparex Associés
- Chairman of Association Nationale des Sociétés par Actions (ANSA)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Chairman of the Board of Directors of Siparex Associés
- Chairman of the Supervisory Board of Somfy S.A.(1)
- Chairman of the Remunerations Committee of Somfy S.A.(1)
- Director of Lafarge
- Member of the AFEP/MEDEF High Committee on Corporate Governance
- Chairman of Association Nationale des Sociétés par Actions (ANSA)
- Chairman of Plateforme de la Filière Automobile (PFA)

2017

- Chairman of the Board of Directors of Siparex Associés
- Chairman of the Supervisory Board of Somfy S.A.(1)
- Chairman of the Remunerations Committee of Somfy S.A.(1)
- Chairman of the AFEP/MEDEF High Committee on Corporate Governance
- Chairman of Association Nationale des Sociétés par Actions (ANSA)
- Chairman of Plateforme de la Filière Automobile (PFA)

2018

- Chairman of the Supervisory Board of Somfy S.A.(1)
- Chairman of the Remunerations Committee of Somfy S.A.(1)
- Chairman of the Board of Directors of Siparex Associés
- Chairman of the AFEP/MEDEF High Committee on Corporate Governance *(until October 2018)*
- Chairman of Association Nationale des Sociétés par Actions (ANSA)

2019-2020

- Chairman of the Supervisory Board of Somfy S.A.(1)
- Chairman of the Remunerations Committee of Somfy S.A.(1)
- Chairman of the Board of Directors of Siparex Associés
- Chairman of Association Nationale des Sociétés par Actions (ANSA)

(1) Listed company.

OLIVIER BAZIL

Independent member of the Supervisory Board(1)
Chairman of the Audit Committee(1)

Nationality: French

Born in 1946

Business address:
Legrand
128, avenue de Lattre de Tassigny
87000 Limoges
France

First elected: May 17, 2013

Current term expires: 2021 (Annual Shareholders Meeting called to approve 2020 financial statements)(2)

Number of shares held at December 31, 2020: 1,010

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Olivier Bazil is a Director of Legrand(3) and a member of the Board's Strategy Committee and Nominating and Compensation Committee. In 2017, he was also a Director of Vallourec(3), Chairman of Vallourec's Audit Committee and a member of its Strategy Committee.

He has spent his entire career with Legrand(3), which he joined in 1973 as Deputy Company Secretary before going on to become Chief Financial Officer (1979), a Director (1989), Deputy Managing Chairman and a member of the Executive Committee (1994), and then Vice Chairman of the Board of Directors and Chief Operating Officer.

Mr. Bazil is a graduate of HEC and holds an MBA from Harvard Business School.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Director of Legrand(3) and member of the Board's Strategy Committee and Nominating Committee.

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Director of Legrand(3) and member of the Board's Strategy Committee and Nominating Committee
- Director of Firmenich International S.A. and Chairman of its Audit Committee
- Member of the Supervisory Board of Société Civile du Château Palmer
- Chairman of Fritz S.A.S.
- Director of Vallourec(3), Chairman of its Audit Committee and member of its Strategy Committee

2017

- Director of Legrand(3) and member of the Board's Strategy Committee and Nominating Committee
- Member of the Supervisory Board of Société Civile du Château Palmer
- Chairman of Fritz S.A.S.
- Director of Vallourec, Chairman of its Audit Committee and member of its Strategy Committee(3) *(until May 2017)*

2018

- Director of Legrand(3) and member of the Board's Strategy Committee and Nominating Committee
- Member of the Supervisory Board of Société Civile du Château Palmer
- Chairman of Fritz S.A.S.

2019

- Director of Legrand(3) and member of the Board's Strategy Committee and Nominating Committee
- Member of the Supervisory Board of Société Civile du Château Palmer *(until December 2019)*
- Chairman of Fritz S.A.S. *(until December 2019)*

2020

- Director of Legrand(3) and member of the Board's Strategy Committee and Nominating Committee

(1) Until he stepped down from the Board in June 2020.
(2) Theoretical expiry date (stepped down in June 2020).
(3) Listed company.

BARBARA DALIBARD

Non-independent member of the Supervisory Board
Senior Independent Member of the Supervisory Board[(1)]
Chair of the Compensation and Appointments Committee[(1)]
Member of the Audit Committee[(2)]

Nationality: French

Born in 1958

Business address:
SITA
26, chemin de Joinville
PO Box 31
1216 Cointrin
Geneva
Switzerland

First elected: May 16, 2008

Current term expires: 2023 (Annual Shareholders Meeting called to approve 2022 financial statements)

Number of shares held at December 31, 2020: 685

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Barbara Dalibard has been Chief Executive Officer of SITA, the world's leading specialist in air transport communications and information technology, since 2016.

She is a graduate of École Normale Supérieure, where she qualified to lecture in mathematics, a graduate of École Nationale Supérieure des Télécommunications (ENST) and an honorary Corps des Mines engineer.

She has held varying roles in numerous companies in the field of new technologies.

After beginning her career at France Télécom group, Ms. Dalibard became the chair of Alcanet International, a subsidiary of the Alcatel group, in 1998. She was then responsible for the France division of the Alcatel CIT group, where she contributed to the development of ADSL and 3G.

At Orange, she played a key role in implementing RENATER, the first network based on Internet technology. In 2003, she joined the Group's Executive Committee and was the Chief Executive Officer of Orange Business Services, a subsidiary located in 220 countries and regions.

Ms. Dalibard joined SNCF in 2010 and was appointed Chief Executive Officer of SNCF Voyageurs (the TGV, Eurostar, Thalys businesses, etc.), then SNCF Voyageurs, which includes all of the group's passenger activities, long-distance travel, TER, Transilien and train stations. She contributed to the development of electronic ticketing, new passenger information applications and the "door-to-door" business. She launched OUIGO, the first low-cost TGV, and the Ouibus long-distance coach subsidiary.

She also served as a member of the Board of Directors of Société Générale and as a member of the Supervisory Board of Wolters Kluwer.

Barbara Dalibard is an Officer of the Légion d'honneur, Officer of the Ordre du Mérite, member of the Académie des Technologies and Doctor *Honoris Causa* of École Polytechnique de Montreal.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Chief Executive Officer of SITA

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Chief Executive Officer of SNCF Voyageurs, then Chief Executive Officer of SITA
- Chair of the Board of Directors of VSC Group
- Director of Eurostar International Limited
- Member of the Board of Directors of Société Générale
- Chief Executive Officer of SITA

2017-2020

- Chief Executive Officer of SITA

(1) Until June 2020.
(2) From June 2020.

JEAN-PIERRE DUPRIEU

Independent member of the Supervisory Board
Member of the Audit Committee(1)
Chairman of the Compensation and Appointments Committee(2)

Nationality: French

Born in 1952

Business address:
Michelin
27, cours de l'Île-Seguin
92100 Boulogne-Billancourt
France

First elected: May 17, 2013

Current term expires: 2024 (Annual Shareholders Meeting called to approve 2023 financial statements)

Number of shares held at December 31, 2020: 510

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Jean-Pierre Duprieu was Executive Vice President of the Air Liquide group(3).

Between 2010 and 2016, he was a member of Air Liquide's Executive Management team, in charge of supervising the group's European and Healthcare activities as well as corporate functions, including information systems and Efficiency/Purchasing programs.

He is currently Chairman of the Board of Directors of Korian(3), Director of Groupe SEB(3) and member of the Supervisory Board of Dehon S.A.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Chairman of the Board of Directors of Korian(3)
- Independent Director of Groupe SEB(3)
- Independent member of the Supervisory Board of Dehon S.A.

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Executive Vice President of the Air Liquide group(3)
- Director of Air Liquide Santé International
- Chairman of the Board of Directors of Air Liquide Eastern Europe
- Director of Air Liquide Welding
- Independent Director of Korian(3) and member of the Audit Committee

2017

- Director of Air Liquide Welding *(until July 2017)*
- Independent Director of Korian(3), Chairman of the Compensation and Appointments Committee and member of the Audit Committee

2018

- Independent Director of Korian(3), Chairman of the Compensation and Appointments Committee and member of the Audit Committee

2019

- Independent Director of Korian(3), Chairman of the Compensation and Appointments Committee and member of the Audit Committee
- Independent Director of Groupe SEB(3)

2020

- Independent Director of Korian(3), Chairman of the Compensation and Appointments Committee and member of the Audit Committee (until September 2020)
- Independent Director of Groupe SEB(3)
- Member of the Supervisory Committee of Dehon S.A. *(since November 2020)*

(1) Until June 2020.
(2) Since June 2020.
(3) Listed company.

ARUNA JAYANTHI

Independent member of the Supervisory Board
Member of the Compensation and Appointments Committee

Nationality: Indian

Born in 1962

Business address:
Capgemini Technology Services India Limited.
Plot no. IT3
IT4 Airoli Knowledge Park
TTC Industrial Area, MIDC,
Navi Mumbai 400708
India

First elected: May 22, 2015

Current term expires: 2023 (Annual Shareholders Meeting called to approve 2022 financial statements)

Number of shares held at December 31, 2020: 400

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

From 2011 until the end of 2015, Aruna Jayanthi was Chief Executive Officer of Capgemini India, responsible for overseeing all of the Capgemini group's operations in India, covering Consulting, Technology and Outsourcing Services provided by some 50,000 employees.

In 2016, she became head of a new global Business Services Unit comprising ITOPS and BPO (Capgemini and IGATE). In 2018, she was appointed to lead the Group's operations in the Asia-Pacific and Latin America regions, before becoming Managing Director of these Business Units.

She is a member of the Group Executive Committee.

After obtaining a Master's degree in finance management from the Narsee Monjee Institute of Management Studies in Mumbai, Aruna Jayanthi held various IT services positions between 1984 and 2000 (including at clients' offices in Europe and the United States), with Tata Consulting Services, Aptech and other companies.

She joined the Capgemini group in 2000.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Director of Equation Capital Partners LLP
- Director of Capgemini Technology Services India Limited
- Director of Capgemini Saudi Limited
- Director of Capgemini Brasil S.A.
- Director of Capgemini Business Services Guatemala S.A.
- Director of Capgemini Business Services (China) Limited
- Director of Capgemini Australia Pty Limited
- Director of Capgemini Hong Kong Ltd
- Director of Capgemini Asia Pacific Pte Limited
- Director of Capgemini Mexico, S. DE R.L DE C.V
- Director of Capgemini (Hangzhou) Co. Ltd
- Director of Solcen Technologies Private Limited

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Director of Capgemini Norge AS
- Director of Capgemini Technology Services Maroc S.A.
- Chair of the Board of Directors of Capgemini India Private Limited
- Director of Capgemini Business Services India Private Limited (formerly Capgemini Business Services India Limited) *(until March 2016)*
- Director of Pune Software Park Private Limited *(until April 2016)*
- Chair of the Board of Directors of Capgemini Sverige AB

2017

- Director of Capgemini Norge AS
- Chair of the Board of Directors of Capgemini Sverige AB
- Director of Espire AS
- Chair of the Supervisory Board of Capgemini Polska Sp. Z.o.o.
- Director of Capgemini Technology Services India Limited *(since May 2017)*

2018

- Director of Capgemini Norge AS
- Chair of the Board of Directors of Capgemini Sverige AB
- Director of Espire AS *(until April 2018)*
- Chair of the Supervisory Board of Capgemini Polska Sp. Z.o.o.
- Director of Capgemini Technology Services India Limited
- Director of SBI Capital Markets Limited *(until September 2018)*
- Director of Equation Capital Partners LLP
- Director of Capgemini Brasil S.A. *(since September 2018)*
- Director of Capgemini Business Services Guatemala S.A.
- Director of Capgemini Business Services (China) Limited *(since November 2018)*
- Director of Capgemini Saudi Limited *(since July 2018)*

ARUNA JAYANTHI (CONTINUATION)

2019

- Director of Equation Capital Partners LLP
- Director of Capgemini Technology Services India Limited
- Director of Capgemini Saudi Limited
- Director of Capgemini Brasil S.A.
- Director of Capgemini Business Services Guatemala S.A. *(since August 2019)*
- Director of Capgemini Business Services (China) Limited
- Director of Capgemini Australia Pty Limited *(since April 2019)*
- Director of Capgemini Hong Kong Ltd *(since October 2019)*
- Director of Capgemini Asia Pacific Pte Limited *(since October 2019)*
- Director of Capgemini Mexico, S. DE R.L DE C.V *(since November 2019)*
- Director of Capgemini Sverige AB *(until June 2019)*
- Director of Capgemini Polska Sp.z o.o. *(until August 2019)*
- Director of Capgemini Norge AS *(until May 2019)*

2020

- Director of Equation Capital Partners LLP
- Director of Capgemini Technology Services India Limited
- Director of Capgemini Saudi Limited
- Director of Capgemini Brasil S.A.
- Director of Capgemini Business Services Guatemala S.A.
- Director of Capgemini Business Services (China) Limited
- Director of Capgemini Australia Pty Limited
- Director of Capgemini Hong Kong Ltd
- Director of Capgemini Asia Pacific Pte Limited
- Director of Capgemini Mexico, S. DE R.L DE C.V
- Director of Capgemini (Hangzhou) Co. Ltd *(since April 2020)*
- Director of Solcen Technologies Private Limited *(since October 2020)*

ANNE-SOPHIE DE LA BIGNE

Independent members of the Supervisory Board
Member of the Compensation and Appointments Committee
Member of the Corporate Social Responsibility Committee[(1)]

Nationality: French

Born in 1960

Business address:
Airbus
36, avenue Raymond Poincaré
75116 Paris
France

First elected: May 17, 2013

Current term expires: 2024 (Annual Shareholders Meeting called to approve 2023 financial statements)

Number of shares held at December 31, 2020: 903

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Since 2008, Anne-Sophie de La Bigne has been Vice President in charge of civil affairs in the Public Affairs Division, France, at Airbus Group[(2)].

Anne-Sophie de La Bigne began her career in 1983 as a financial controller with the Matra group before joining the Strategy & Business Development Department of the Lagardère group, where she worked from 1985 to 1999.

She subsequently became Head of the Strategic Analysis Department at Aerospatiale Matra/EADS, a position she held until 2001.

Between 2001 and 2006, she served as Vice President, Strategy and European Affairs, at Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS).

From 2006 to 2007, she was responsible for international corporate relations in the EADS' Public Affairs Division.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Member of the Board of Directors of SIAE S.A.
- Member of the Board of Directors of APAVE and member of the Audit Committee

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016-2017

No other directorships

2018-2019

- Member of the Board of Directors of SIAE S.A.

2020

- Member of the Board of Directors of SIAE S.A.
- Member of the Board of Directors of APAVE and member of the Audit Committee *(since June 2020)*

(1) Since June 2020
(2) Listed company.

PATRICK DE LA CHEVARDIÈRE

Independent member

Chairman of the Audit Committee(1)

Nationality: French

Born in 1957

Business address:
Michelin
27, cours de l'Île-Seguin
92100 Boulogne-Billancourt
France

First elected: June 23, 2020

Current term expires: 2024 (Annual Shareholders Meeting called to approve 2023 financial statements)

Number of shares held at December 31, 2020: 400

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Patrick de La Chevardière is currently a director of Schlumberger(2) and until July 2019 was the Group's Chief Financial Officer and a member of the Executive Committee of the Total group(2), where he spent his entire career.

Patrick de La Chevardière is a graduate of École Centrale. He began his career as a drilling engineer in the Exploration and Production Division (1982-1989), before joining the Finance Department (1989-1995). He subsequently served as head of the Operations and Subsidiaries Division (1995-2000), Asia Director in the Refining and Marketing Division (2000-2003), Deputy Chief Financial Officer (2003-2008) and member of the Management Committee (2005), and Chief Financial Officer and member of the Executive Committee (from 2008).

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Director of Schlumberger(2)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016-2018	2019-2020
None	▶ Director of Schlumberger(2)

(1) Since June 2020.
(2) Listed company.

JEAN-CHRISTOPHE LAOURDE

Non-independent member of the Supervisory Board representing employees (non-executive)

Nationality: French

Born in 1975

Business address:
Compagnie Générale des Établissements Michelin
23, place des Carmes-Déchaux
63000 Clermont-Ferrand
France

First elected: December 14, 2020

Current term expires: 2024 (Annual Shareholders Meeting called to approve 2023 financial statements)

Number of shares held at December 31, 2020: 81

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Jean-Christophe Laourde is an employee of Manufacture Française des Pneumatiques Michelin, where he is Distribution Program Manager, B2C for the Southern Europe Region.

He began his career with the Michelin Group in 1998 and held a variety of positions in sales in France, before becoming Forecast Manager for Supply Chain Europe. He has also held positions in Distribution Development Management for France-Benelux.

In addition, he served as the central union representative for the CFE-CGC at Michelin in France between 2016 and 2020.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

None

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016-2020

None

THIERRY LE HÉNAFF

Independent member of the Supervisory Board
Senior Independent Member of the Supervisory Board[1]
Member of the Audit Committee

Nationality: French

Born in 1963

Business address:
Arkema
420, rue d'Estienne-d'Orves
92700 Colombes
France

First elected: May 18, 2018

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at December 31, 2020: 400

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Thierry Le Hénaff is currently Chairman and Chief Executive Officer of Arkema[2]

After starting his career with Peat Marwick Consultants, in 1992 he joined Bostik, Total's Adhesives Division, where he held a number of operational positions in France and worldwide. In July 2001, he was appointed Chairman and Chief Executive Officer of Bostik Findley, the new entity resulting from the merger of Total's and Elf Atochem's Adhesives divisions. On January 1, 2003, he joined Atofina's Executive Committee, with responsibility for three divisions (Agrochemicals, Fertilizers and Thiochemicals) as well as three corporate departments. Then, in 2004, he joined the Total group's Executive Committee. He was named Chairman and Chief Executive Officer of Arkema on March 6, 2006. He has sat on the Board of Directors of the École Polytechnique Foundation since 2016.

Thierry Le Hénaff holds engineering degrees from École Polytechnique and École Nationale des Ponts et Chaussées, and a Master's degree in Industrial Management from Stanford University in the United States. He holds the titles of Chevalier de l'Ordre national du mérite and Chevalier de l'Ordre national de la Légion d'honneur.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Chairman and Chief Executive Officer of Arkema[2]
- Chairman of the Board of Directors of Arkema France

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Chairman and Chief Executive Officer of Arkema[2]
- Chairman of the Board of Directors of Arkema France
- Director of Eramet[2]

2017-2020

- Chairman and Chief Executive Officer of Arkema[2]
- Chairman of the Board of Directors of Arkema France

(1) Since June 2020.
(2) Listed company.

MONIQUE LEROUX

Independent member of the Supervisory Board
Member of the Audit Committee
Chair of the Corporate Social Responsibility Committee(1)

Nationality: Canadian
Born in 1954

Business address:
Fiera Capital
1981 McGill College
Montréal (Québec) - H3A 0H5
Canada

First elected: October 1, 2015
Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)
Number of shares held at December 31, 2020: 1,000

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Companion of the Canadian Business Hall of Fame and Investment Industry Hall of Fame, Monique Leroux is a company director. She is Vice-Chair of Gestion Fiera Inc. and a member of the Boards of Directors of Michelin (ML-France)(2), Bell (BCE)(2), S&P Global (SPGI)(2), Couche-Tard (ATD)(2) and Lallemand Inc. (a privately-owned company). She is also Chair of Michelin's CSR Committee and Bell's Governance Committee. She contributes to these Boards and committees her wide-ranging experience, acquired for example as a partner of EY (Canada) and as Chair of the Board and Chief Executive Officer of Mouvement Desjardins from 2008 to 2016.

In May 2020, she was appointed Chair of the National Industrial Strategy Board by Canada's Minister of Innovation, Science and Industry. From 2016 to 2020, Monique Leroux served as Chair of the Board of Directors of Investissement Québec. She is also Vice-Chair of the Board of the Montreal Symphony Orchestra.

Ms. Leroux is a member of the Order of Canada, an Officer of the Ordre national du Québec, a Chevalier de la Légion d'honneur (France) and a recipient of a Woodrow Wilson Award (United States). She has been inducted as a Fellow of the Canadian Order of Certified Public Accountants and Fellow of the Canadian Institute of Corporate Directors, and has been awarded honorary doctorates from eight Canadian universities in recognition of her contribution to the business sector and also to the community.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Member of the Board of Directors of Alimentation Couche-Tard(2)
- Member of the Board of Directors of Bell/BCE(2)
- Member of the Board of Directors of S&P Global(2)
- Member of the Board of Directors of Lallemand (privately owned company)
- Strategic Advisor and member of the Strategic development committee of Fiera Capital(2)
- Vice-Chair of the Management Board of Fiera Inc. (privately owned company)
- Member of the Board of Directors of the Montreal Symphony Orchestra (non-profit organization)
- Chair of the National Industrial Strategy Board (Canadian public consultation body)
- Member of the Board of Directors of Université de Sherbrooke

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins
- Chief Executive Officer of Desjardins Sécurité Financière
- Chief Executive Officer of Desjardins Groupe d'Assurances Générales
- Chair of the Board of Directors of Investissement Québec
- Member of the Executive Committee and Director of the European Association of Cooperative Banks
- Member of the Board of Directors of Crédit Industriel et Commercial (CIC)
- Member of the Board of Directors of the Rideau Hall Foundation
- President of the International Cooperative Alliance (ICA)
- Member of the Board of Directors of Alimentation Couche-Tard(2)
- Member of the Board of Directors of Bell/BCE(2) *(since April 2016)*
- Member of the Board of Directors of S&P Global(2) *(since October 2016)*

2017

- Chair of the Board of Directors of Investissement Québec
- Member of the Executive Committee and Director of the European Association of Cooperative Banks
- Member of the Board of Directors of Crédit Industriel et Commercial (CIC) *(until May 2017)*
- Member of the Board of Directors of the Rideau Hall Foundation
- President of the International Cooperative Alliance (ICA) *(until November 2017)*
- Member of the Board of Directors of Alimentation Couche-Tard(2)
- Member of the Board of Directors of Bell/BCE(2)
- Member of the Board of Directors of S&P Global(2)
- Member of the Board of Lallemand (privately owned company) *(since June 2017)*
- Strategic Advisor, Fiera Capital(2) *(since June 2017)*

(1) Since June 2020.
(2) Listed company.

MONIQUE LEROUX (CONTINUATION)

2018

- Chair of the Board of Directors of Investissement Québec
- Member of the Board of Directors of Alimentation Couche-Tard(2)
- Member of the Board of Directors of Bell/BCE(2)
- Member of the Board of Directors of S&P Global(2)
- Member of the Board of Directors of Lallemand (privately owned company)
- Strategic Advisor, Fiera Capital(2)
- Vice-Chair of the Fiera Inc. Management Board
- Member of the Executive Committee and Director of the European Association of Cooperative Banks
- Member of the Board of Directors of the Rideau Hall Foundation

2019

- Chair of the Board of Directors of Investissement Québec
- Member of the Board of Directors of Alimentation Couche-Tard(2)
- Member of the Board of Directors of Bell/BCE(2)
- Member of the Board of Directors of S&P Global(2)
- Member of the Board of Directors of Lallemand (privately owned company)
- Strategic Advisor, Fiera Capital(2)
- Vice-Chair of the Management Board of Fiera Inc. (privately owned company)
- Member of the Board of Directors of the Rideau Hall Foundation (non-profit organization)
- Member of the Board of Directors of the Montreal Symphony Orchestra (non-profit organization)

2020

- Chair of the Board of Directors of Investissement Québec *(until July 2020)*
- Member of the Board of Directors of Alimentation Couche-Tard(2)
- Member of the Board of Directors of Bell/BCE(2)
- Member of the Board of Directors of S&P Global(2)
- Member of the Board of Directors of Lallemand (privately owned company)
- Strategic Advisor, Fiera Capital(2)
- Vice-Chair of the Management Board of Fiera Inc. (privately owned company)
- Member of the Board of Directors of the Rideau Hall Foundation (non-profit organization) *(until May 2020)*
- Member of the Board of Directors of the Montreal Symphony Orchestra (non-profit organization)
- Member of the Board of Directors of Université de Sherbrooke *(since June 2020)*
- Chair of the National Industrial Strategy Board (Canadian public consultation body) *(since May 2020)*

(1) Since June 2020.
(2) Listed company.

CYRILLE POUGHON

Non-independent (non-executive) member[1]

Member of the Audit Committee[1]

Nationality: French

Born in 1975

Business address:
Compagnie Générale des Établissements Michelin
23, Place des Carmes-Déchaux
63000 Clermont-Ferrand
France

First elected: May 16, 2014

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)[2]

Number of shares held at December 31, 2020: 430

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Cyrille Poughon is currently France-Benelux Retail Market sales office manager,

after previously serving as the Group's Quality of Worklife Manager and later Safety Program Leader at corporate headquarters.

He began his career with the Michelin Group in 1996 and has held a variety of positions in sales and logistics. He served as Secretary of Michelin's European Works Council until 2014.

In 2015, he followed the "Certified Corporate Director" training program organized by Sciences-Po and Institut Français des Administrateurs.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

None

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016-2020

None

(1) Until he stepped down from the Board in October 2020.
(2) Theoretical expiry date (stepped down in October 2020).

DELPHINE ROUSSY

Non-independent member of the Supervisory Board representing employees (non-executive)

Nationality: French

Born in 1982

Business address:
Compagnie Générale des Établissements Michelin
23, Place des Carmes-Déchaux
63000 Clermont-Ferrand
France

First elected: December 14, 2020

Current term expires: 2024 (Annual Shareholders Meeting called to approve 2023 financial statements)

Number of shares held at December 31, 2020: 10

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Delphine Roussy is an employee of Manufacture Française des Pneumatiques Michelin, where she is Head of the Systems & Processes Division patents team within the Legal Affairs/Intellectual Property Department.

She is a graduate of Supélec and the Georgia Institute of Technology in Atlanta. In 2011, she joined the Michelin Group after having had several positions in the field of intellectual property.

She was a member of the CFDT trade union's advisory delegation to the Regional Economic, Social and Environmental Council (CESER) for the Auvergne-Rhône-Alpes region from 2018 to 2020 and represented the CFDT within the Michelin organization in various capacities (employee representative, member of the Committee on Health, Safety & Working Conditions, trade union representative) between 2014 and 2020.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

None

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016-2020

None

JEAN-MICHEL SEVERINO

Independent member

Member of the Corporate Social Responsibility (CSR) Committee

Nationality: French

Born in 1957

Business address:
Investisseurs et Partenaires
9, rue Notre Dame des Victoires
75002 Paris
France

First elected: November 12, 2020

Current term expires: 2022 (Annual Shareholders Meeting called to approve 2021 financial statements)

Number of shares held at January 20, 2021: 400 shares

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Jean-Michel Severino is a former student of École Nationale d'Administration. He graduated from ESCP Business School and Institut d'Études Politiques in Paris, and has a master's degree in economics and a bachelor's in law. He is a member of the General Inspectorate of Finance and is a development director at the French Ministry of Cooperation and Development, Vice-President East Asia at the World Bank and Chief Executive Officer at the French Development Agency.

Since 2011, he has been CEO of Investisseurs et Partenaires (I&P), a fund management team specializing in financing for African SMEs.

He is a director and Chairman of the Audit Committee at Danone(1), a director and member of the Audit Committee at Orange(1) and Chairman of the Board of Directors at Ecobank International (EBI SA).

He is also a Senior Fellow at the Foundation for Studies and Research on International Development and a member of the French Academy of Technologies.

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2020

- Director and member of the Audit Committee of Orange SA(1)
- Director and member of the Audit Committee of Danone SA(1)
- Chairman of the Board of Directors of EBI SA
- Chief Executive Officer of Investisseurs et Partenaires (I&P)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2016

- Director and member of the Audit Committee of Orange SA(1)
- Director and member of the Audit Committee of Danone SA(1)
- Chairman of the Board of Directors of EBI SA
- Chief Executive Officer of Investisseurs et Partenaires (I&P)

2017

- Director and member of the Audit Committee of Orange SA(1)
- Director and member of the Audit Committee of Danone SA(1)
- Chairman of the Board of Directors of EBI SA
- Chief Executive Officer of Investisseurs et Partenaires (I&P)

2018

- Director and member of the Audit Committee of Orange SA(1)
- Director and member of the Audit Committee of Danone SA(1)
- Chairman of the Board of Directors of EBI SA
- Chief Executive Officer of Investisseurs et Partenaires (I&P)

2019

- Director and member of the Audit Committee of Orange SA(1)
- Director and member of the Audit Committee of Danone SA(1)
- Chairman of the Board of Directors of EBI SA
- Chief Executive Officer of Investisseurs et Partenaires (I&P)

2020

- Director and member of the Audit Committee of Orange SA(1)
- Director and member of the Audit Committee of Danone SA(1)
- Chairman of the Board of Directors of EBI SA
- Chief Executive Officer of Investisseurs et Partenaires (I&P)

(1) Listed company.

3.1.4 INTERACTIONS BETWEEN THE VARIOUS GOVERNANCE STRUCTURES

The shared objective of all members of the Company's governance, i.e., the non-Managing General Partner (SAGES), the Managers and the Supervisory Board, is to ensure harmonious and efficient interactions in the interest of Group and its shareholders. This implies that tasks and responsibilities are distributed among members in a manner complying with the Company's Bylaws and the recommendations in the AFEP/MEDEF Code as applicable to partnerships limited by shares. It is in this vein that the participants in the governance system agreed upon the following:

Succession process

In accordance with the Company's Bylaws, each Manager is appointed for an initial term of four years by the General Shareholders Meeting on the proposal of the Non-Managing General Partner (SAGES), made after consulting the Supervisory Board. Their appointment is subsequently renewable by decision of SAGES, with the Supervisory Board's agreement.

- The Managing Partner succession process is led by SAGES, which formally consults the Supervisory Board concerning its proposals. A candidate selection process is submitted by SAGES to the Managing Chairman and Managing General Partner and to the Supervisory Board, presenting the different selection phases, the selection criteria and an overview of the various internal and external candidates.
- The Supervisory Board, which oversees the work of the Compensation and Appointments Committee in reviewing the Executive Committee succession plans drawn up by the Managers, presents the results of the review to SAGES between twelve and eighteen months before the start of the process and ensures that the plans cover diverse profiles.
- SAGES, the Managing Chairman and Managing General Partner and the Supervisory Board agree on the selection criteria for a future Manager and a recruitment firm is appointed by SAGES, from a list drawn up by mutual agreement, to support each step of the process.

Compensation process

- Compensation policy:
  - at the start of each financial year, the non-Managing General Partner and the Managing Chairman and General Partner formalize, in an agreement, the distribution between them of a share of the Company's annual profit which is reserved to them as determined on the basis defined in the Company's Bylaws (the "Profit Share"). This agreement determines the ceilings as a percentage of the directors' fees, which may be allocated to the Managing General Partner as part of his variable compensation for this financial year, after consultation with the Supervisory Board;
  - the Compensation and Appointments Committee analyzes the proposals of the Managing Chairman and General Partner concerning the objectives and criteria to be achieved, and proposes to the Supervisory Board the terms and conditions of all the components of the compensation of the Managing Partners, including the criteria to be fulfilled and the objectives to be achieved (taking into account the conditions of remuneration and employment of Michelin employees, CAC40 practices and benchmarks);
  - the Supervisory Board deliberates on the methods to be applied to the variable compensation (annual and multi-annual) of the Managing General partners, after validation of the validity of the objectives presented by the Compensation and Appointments Committee, then inform the non-Managing General Partner;
  - the General Partners decide on the compensation of the Managers to be allocated taking into account the performance criteria to achieve and associated objectives to be fulfilled;
  - the corresponding elements of compensation are submitted to the vote of the Ordinary Shareholders Meeting in application and under the conditions of the applicable regulations.
- Performance assessment:
  - at each year-end, the Compensation and Appointments Committee reviews the results for the annual and multi-annual performance criteria compared to the objectives applicable to the Managing General Partner(s) and issues a recommendation to the Supervisory Board;
  - the Supervisory Board confirms the Compensation and Appointments Committee's performance assessment and shares this assessment with SAGES;
  - the General Partners approve the annual and multi-annual variable compensation to be paid to the Managers based on the Supervisory Board's assessment of the performance criteria and objectives;
  - the corresponding components of compensation are put to the vote of the Ordinary Shareholders Meeting, in accordance with the applicable rules and regulations.

In addition, the General Manager(s) is/are awarded compensation determined each year according to the same process.

3.1.5 STATEMENTS

The Managers and the members of the Supervisory Board do not have any close family ties.

To the best of the Company's knowledge, neither Michelin's Managers nor any Supervisory Board member has, in the past five years, been (i) convicted of fraud, (ii) associated with a bankruptcy, receivership or liquidation, (iii) the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

No Supervisory Board member and neither of Michelin's Managers has a service contract with the Company or any of its subsidiaries.

There are no:

- arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which they were selected as a Manager or as a member of the Supervisory Board;
- conflicts of interest between the duties to the Company of the Managers and the Supervisory Board members and their private interests and/or other duties;
- restrictions accepted by these persons on the disposal of their Michelin shares within a certain period of time, except for those resulting from market abuse regulations and the specific rules applicable to the Managers.

3.2 SUPERVISORY BOARD PRACTICES – ACTIVITIES IN 2020

3.2.1 GENERAL ACTIVITIES

In addition to the scheduled meetings, the Board met twice in March 2020 to review the organizational and other measures decided by the Managers to deal with the Covid-19 crisis and its consequences. A further two unscheduled meetings were held in the fourth quarter to discuss changes in the membership of the Supervisory Board and its Committees.

The issues examined by the Supervisory Board – based on presentations by the Managers or by members of the entities concerned – were as follows:

- Update on the Group's business and financial position:
  - quarterly financial information, interim and annual results, scorecards, corresponding press releases, recommended dividend;
  - internal control and risk management;
  - integration of businesses acquired in recent years and related synergies;
  - acquisitions in progress (several meetings);
  - changes in the membership of the Group Executive Committee.
  - review of Group internal communications.
- Strategic overview:
  - strategy seminar (several meetings): business review, map of current and planned transformations, acquisition projections, financial equation, commitment campaign;
  - industrial and Digital Manufacturing strategy;
  - High-Tech Materials and Medical Sector strategies.
- Managers' compensation:
  - results of the performance criteria used to determine the Managers' variable compensation for 2019;
  - performance criteria to be used to determine variable compensation for 2020 and performance share plan criteria;
  - Group compensation policies.
- Membership and practices of the Supervisory Board and its Committees:
  - Supervisory Board Chairman succession plan, revised membership of the Committees, creation of a Corporate Social Responsibility (CSR) Committee;
  - re-elections and candidates for election to the Supervisory Board; induction of new Supervisory Board members representing employees;
  - Supervisory Board members' independence;
  - external assessment of the Board's practices;
  - preparation of the Corporate Governance Report and the Annual Shareholders Meeting.
- reports of the Audit Committee, Compensation and Appointments Committee and CSR Committee.

Part of each Supervisory Board meeting took place behind closed doors, without the Managers being present.

In addition, the independent members of the Board held an "Executive Session".

The Supervisory Board wanted to continue the practice initiated in 2015 whereby the member representing employees acts as a neutral observer of the Group's social dialogue processes in order to make an informed contribution to the Board's discussions.

However, due to the Covid-19 crisis and resulting travel restrictions, Cyrille Poughon, Supervisory Board member representing employees until October 2020, was unable to fulfill this role in 2020.

3.2.2 SUPERVISORY BOARD MEMBERS' ATTENDANCE RATES

The Supervisory Board met nine times in 2020 – on February 7, March 17, March 31, April 29, June 23, July 24, October 6, November 12, and December 14 and 15.

Four of these meetings lasted a full day.

The overall attendance rate at meetings of the Supervisory Board and its Committees (excluding meetings not scheduled at the start of the year) was 100%.

The attendance rates of the individual Board members are presented in the table below:

	Participation at meetings held in 2020(1)			
Supervisory Board members	**Supervisory Board (5 meetings)(1)**	**Audit Committee (4 meetings)(2)**	**Compensation and Appointments Committee (3 meetings)**	**Corporate Social Responsibility Committee (1 meeting)**
Olivier Bazil(3)	2/2	2/2	N/A	N/A
Barbara Dalibard(4)	5/5	2/2	2/2	N/A
Anne-Sophie de La Bigne	5/5	N/A	3/3	1/1
Patrick de La Chevardière(5)	3/3	2/2	N/A	N/A
Jean-Pierre Duprieu(6)	5/5	2/2	1/1	N/A
Aruna Jayanthi	5/5	N/A	3/3	N/A
Jean-Christophe Laourde(7)	1/1	N/A	N/A	N/A
Thierry Le Hénaff(8)	5/5	4/4	N/A	N/A
Monique Leroux	5/5	4/4	N/A	1/1
Cyrille Poughon	4/4	3/3	N/A	N/A
Michel Rollier(9)	5/5	N/A	2/2	N/A
Delphine Roussy(10)	1/1	N/A	N/A	N/A
Jean-Michel Severino(11)	1/1	N/A	N/A	1/1

(1) *Excluding unscheduled meetings. All the members attended the four unscheduled meetings held in 2020.*
(2) *Excluding unscheduled meetings. All the members attended the two unscheduled meetings held in 2020.*
(3) *Olivier Bazil attended all the meetings of the Supervisory Board and the Audit Committee up to June 2020 when he stepped down from the Supervisory Board.*
(4) *Barbara Dalibard attended all the meetings of the Supervisory Board as Senior Independent Member up to June 2020, when she stopped being Senior Independent Member, and all the meetings of the Compensation and Appointments Committee up to June 2020, when she stopped being a member of this Committee. She also attended all the meetings of the Audit Committee from June 2020, when she was appointed to this Committee.*
(5) *Patrick de La Chevardière attended all the meetings of the Supervisory Board from June 2020, when he was elected to the Board, and all the meetings of the Audit Committee from June 2020 following his appointment as Chairman of this Committee.*
(6) *Jean-Pierre Duprieu attended all the meetings of the Compensation and Appointments Committee as Member and Chairman following his appointment to the Committee in June 2020, and all the meetings of the Audit Committee up to June 2020, when he stopped being a member of this Committee.*
(7) *Jean-Christophe Laourde attended all the meetings of the Supervisory Board from December 2020, when he was appointed to the Supervisory Board.*
(8) *Thierry Le Hénaff attended all the meetings of the Supervisory Board as Senior Independent Member from June 2020.*
(9) *Michel Rollier attended all the meetings of the Compensation and Appointments Committee up to June 2020 when he stopped being a member of this Committee.*
(10) *Delphine Roussy attended all the meetings of the Supervisory Board from December 2020, when she was appointed to the Supervisory Board.*
(11) *Jean-Michel Severino attended all the meetings of the Supervisory Board from December 2020, following his appointment to the Board in November 2020 to replace Cyrille Poughon.*

3.2.3 TRAINING FOR SUPERVISORY BOARD MEMBERS

All Supervisory Board members

As part of its training policy for Supervisory Board members, during the year the Company once again organized a special training program on the Group's operations. The program gave all of the Supervisory Board members an opportunity to acquire or refresh their hands-on insight into how Michelin's various businesses are run.

Due to the Covid-19 crisis and the resulting travel restrictions, the Supervisory Board meetings and visits to Group sites outside France had to be canceled.

The visits were replaced by other events organized in France. The Supervisory Board members visited the AddUp site in Ladoux (Puy-de-Dôme). AddUp is a metal 3D printing joint venture with the Fives Group offering PBF and DED machines, parts production service and support solutions. The Board members were given an overview of the metal 3D printing market, the related technologies and processes, and the company's ambitious growth targets for the coming years.

The Supervisory Board also visited the Hall 32 public-private partnership in Clermont-Ferrand (Puy-de-Dôme). Michelin leads this partnership which offers a new approach to job training with the aim of creating an Excellence in Apprenticeship program for these 3D printing businesses, which require a highly skilled labor force.

These topic-specific presentations, along with those made during the year at Supervisory Board meetings by members of executive management and their teams, are welcomed by Supervisory Board members as a means of enhancing their understanding of all the challenges facing the Michelin Group.

Members representing employees

The new Supervisory Board members representing employees, who took up their seats on December 14, 2020, were offered a combination of internal and external training to enable them to participate actively in the Board's work.

Their internal training includes specific presentations by the directors of the Group entities, including the Managers and members of the Group Executive Committee, and by the Chairman and Secretary of the Supervisory Board, that are specially designed to provide the new members with a good understanding of the Group's businesses and its environment.

They have also begun participating in several external training programs selected based on their specific needs as new Supervisory Board members. These programs cover various specific and general topics and are provided by leading training organizations.

The training process began immediately following their appointment and before they took up their seats on the Board.

3.2.4 PREPARING RECOMMENDATIONS FOR THE ELECTION OF NEW SUPERVISORY BOARD MEMBERS AND OTHER RESOLUTIONS TO BE PRESENTED AT THE 2021 ANNUAL SHAREHOLDERS MEETING

The Supervisory Board asked the Compensation and Appointments Committee to review the situation of members whose term was due to expire.

The Committee's procedures and recommendations are presented in the Supervisory Board's report on the resolutions to be submitted to the 2021 Annual Shareholders Meeting (see section 7.2 of this 2020 Universal Registration Document).

3.2.5 ACTIVITIES OF THE SENIOR INDEPENDENT SUPERVISORY BOARD MEMBER

Although, in a partnership limited by shares (*société en commandite par actions*), none of the Managers (who are equivalent to executive officers in a joint stock corporation) may also serve as Chairman of the Supervisory Board, the Board nevertheless decided in 2017 to appoint a Senior Independent Member.

This role, given to an independent Board member, mainly covers the following responsibilities specified in the Board's internal rules:

- organize executive sessions among the independent members;
- chair and lead the sessions;
- report on his or her activities to the Board at least once a year;
- meet with the Chairman of the Board to inform him or her of all or some of the views or wishes expressed by the independent members during executive sessions;
- propose the inclusion of additional items on the agenda of Supervisory Board meetings;
- call and chair Supervisory Board meetings and set the agenda if the Chairman of the Board is unable to perform this task;
- meet with the Managing Chairman to inform him of all or some of the views or wishes expressed by the independent members during executive sessions, after informing the Chairman of the Supervisory Board;
- receive information about any material comments on governance issues made by significant shareholders and participate in communications with shareholders alongside the Chairman of the Supervisory Board or the Managing Chairman.

The position of Senior Independent Member was assigned by the Supervisory Board:

- between 2017 and June 2020 to Barbara Dalibard, Chair of the Compensation and Appointments Committee (between 2015 and June 2020) and independent Board member (until May 2020);
- from July 2020, to Thierry Le Hénaff, independent Supervisory Board member since his election to the Board in 2018.

In 2020, the Senior Independent Member organized and chaired one executive session, held without any Managers (equivalent to executive officers) being present. The main issues discussed during this session were as follows:

- Group strategy;
- financial communications;
- topics suggested during Board meetings and the quality of Board discussions;
- risk management.

In application of the Supervisory Board's internal rules, during the first half of 2021, Thierry Le Hénaff will report to the Board on his activities during 2020.

In early 2020, Barbara Dalibard helped to prepare the process for the external assessment of the work of the Board and its Committees (see report on the results of this assessment in section 3.2.7).

In addition, Barbara Dalibard and Thierry Le Hénaff took the floor alongside the Chairman of the Supervisory Board and the Managers at the Michelin Governance Conference organized on December 7, 2020[1].

3.2.6 REVIEW OF SUPERVISORY BOARD MEMBERS' INDEPENDENCE AND ANY CONFLICTS OF INTEREST

The Supervisory Board has chosen to refer to all the criteria listed in the AFEP/MEDEF Code to assess its members' independence and obtain assurance that a majority of the members are independent and without any vested interests (i.e., with no relationship of any kind whatsoever with the Company or its management which might risk coloring the member's judgment[2]).

The Supervisory Board's internal rules also explicitly stipulate that its members are required to inform the Supervisory Board of any potential or existing conflict of interest and are banned from taking part in the discussion and vote on the matters concerned.

In the first phase, the Compensation and Appointments Committee ensures that each Supervisory Board member has formally declared, in relation to the provisions and abstention obligations of the Board's internal rules, that:

- they have no close family ties with their fellow Supervisory Board members;
- they have not, in the past five years, been (i) convicted of fraud, (ii) associated with a bankruptcy, receivership or liquidation, (iii) the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer;
- they do not have a service contract with the Company or any of its subsidiaries;
- they have not been selected to serve as a Supervisory Board member pursuant to any arrangement or agreement with a principal shareholder, customer, supplier or other stakeholder;
- to the best of their knowledge, there are no restrictions on the disposal within a certain period of time of their Michelin shares, except for those resulting from insider dealing rules;
- to the best of their knowledge, there are no conflicts of interest between their obligations towards the Company in their capacity as Supervisory Board member and their personal interests and/or other obligations.

Where applicable, the Committee also checks any notifications given to the Board by its members.

In the second phase, to complete the earlier statements and observations, the Committee:

- checks that none of the Board members had been an auditor of the Company during the past five years;
- reviews the period served on the Supervisory Board by members since they were first elected, in particular for members who have served on the Board for 12 or more years;
- checks that no Board member has received any variable compensation in cash or shares or any other performance-based compensation from the Company or the Group.

In addition, the Committee examines whether any Board member:

- is or has been in the past five years an employee or executive officer of the Company, or an employee or executive officer of its parent or a company that the latter consolidates;
- is an executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Company (currently in office or having held such office for less than five years) is a director;
- is a customer, supplier, investment banker or commercial banker:
  - that is material to the Company or the Group, or
  - that depends on the Company or the Group for a significant part of its business.

In the third phase, the Committee reviews the situation of Supervisory Board members who may personally conduct significant amounts of business with the Company or be involved with undertakings that may maintain significant business relations with the Company.

In each case, the Committee starts by examining the nature of the Supervisory Board member's duties in the undertaking concerned, particularly whether they hold a non-executive position such as member of the Board of Directors or Supervisory Board, whether they are qualified as independent by that undertaking and whether they share any cross-directorships with an executive officer of the Company.

Where a Board member holds an executive or management position, the Committee examines the nature and scope of the member's duties and, if the undertaking is a material competitor, customer or supplier of the Company, assesses whether the position may give rise to a conflict of interest between that undertaking and the Company.

(1) For more information, visit the Group's website www.michelin.com.

(2) When the Compensation and Appointments Committee assesses the independence of one of its members, that member does not take part in the Committee's discussion and analysis of his or her situation nor in the Supervisory Board's decision regarding his or her independence.

When considered necessary, the Committee then analyzes individual situations based on (i) the type of relationship that exists between the Company and the undertaking concerned and (ii) the amounts represented by financial transactions between the Company and the undertaking, applying different materiality thresholds depending on the type of relationship (revenues in relation to consolidated revenues, purchase volumes, etc.).

The Compensation and Appointments Committee conducted an independence review in early 2021. Its conclusions were presented to the Supervisory Board, which discussed and then adopted them. The review process can be summarized as follows:

The Committee examined the situation of **Anne-Sophie de La Bigne** in light of her position with Airbus as Vice President in charge of Civil Affairs in the Public Affairs Division France. The Committee noted that (i) Ms. de La Bigne does not hold an executive position at Airbus with responsibility for purchasing or selling products or services and (ii) her area of responsibility is limited to France.

The Committee nevertheless decided to examine the volume of business conducted between Michelin and Airbus, as some of the latter's subsidiaries purchase products and/or services from Michelin.

Due to the structure of the aerospace markets served by Michelin and the companies operating in these markets, the Committee examined the revenues earned by Michelin in 2020 from the sale of products and services not only to Airbus companies but also to these companies' customers that own or lease aircraft. The sales figure was then compared to Michelin's consolidated sales for 2020.

The comparison showed that the sales in question represented a very limited part of the Group's consolidated sales for the year.

Consequently, the Committee proposed considering that Anne-Sophie de La Bigne's indirect business relationship with Michelin by virtue of her position with Airbus was not material.

The Committee also examined the business relationship between Michelin and the Capgemini group, whose Asia-Pacific and Latin America regions have been headed by **Aruna Jayanthi** since 2018.

Transactions between the Capgemini group and Michelin represent only a very small proportion of Michelin's purchases, and their contribution to Capgemini's revenue is not material.

Consequently, the Committee proposed considering that Aruna Jayanthi's indirect business relationship with Michelin by virtue of her position with the Capgemini group was not material.

In addition, the Committee examined the business relationship between Michelin and Arkema, whose Chairman and Chief Executive Officer is **Thierry Le Hénaff**.

Transactions between Arkema and Michelin represent only a very small proportion of Michelin's purchases and their contribution to Arkema's revenue is not material.

The Committee also examined a possible conflict of interest situation that could result from the proximity of certain activities of Michelin's High-Tech Materials with Arkema's Specialty Materials business. Its assessment focused on Michelin's flexible elastomer composites and Arkema's adhesives, advanced materials and coating solutions.

After examining factors such as the businesses' respective characteristics, their maturity, their main scopes and target applications/markets, the Committee decided that these factors did not lead to the conclusion that Thierry Le Hénaff was permanently exposed to a material conflict of interests.

In any event, if information about these businesses that was considered sensitive for both groups was presented to the Supervisory Board, Thierry Le Hénaff would step aside during the communications, discussions and decisions concerned, in line with the Board's internal rules.

Consequently, the Committee proposed considering that Thierry Le Hénaff's indirect business relationship with Michelin by virtue of his position with Arkema does not have a material adverse effect on his independence and does not give rise to any material conflict of interests.

Cyrille Poughon, who was a member of the Supervisory Board until October 2020, is an employee of Manufacture Française des Pneumatiques Michelin, one of the Group's largest operating companies and its largest French subsidiary. Despite his independent mindset and conspicuous participation in Supervisory Board meetings, the Supervisory Board considered that Mr. Poughon could not be qualified as independent because of the implicit requirement for him, as a Michelin employee, to demonstrate loyalty to the Group.

Delphine Roussy and **Jean-Christophe Laourde**, Supervisory Board members representing employees since December 2020, are likewise employees of MFPM. The Supervisory Board considered that they could not be qualified as independent because of the implicit requirement for them, as Michelin employees, to demonstrate loyalty to the Group.

The Committee reviewed the situation of **Barbara Dalibard**, Chief Executive Officer of SITA, based on the independence criterion related to the period served on the Board.

The Committee noted Barbara Dalibard's independent mindset and conspicuous participation in the work of the Board and its Committees (as Chair of the Compensation and Appointments Committee from 2015 until June 2020, Senior Independent Supervisory Board Member from 2017 until June 2020 and member of the Audit Committee since July 2020). These qualities were the decisive factors in the unanimous decision by Board members to appoint her as Chair of the Supervisory Board when Michel Rollier steps down.

The Committee considered that since Barbara Dalibard had served on the Board for an uninterrupted period of twelve years as of end-May 2020, she could no longer be considered as independent for this reason alone.

The Compensation and Appointments Committee decided that, to avoid any ambiguity and in the Company's interests, the Chairman of the Supervisory Board, **Michel Rollier**, Chairman of the Supervisory Board of Somfy SA, should continue to be qualified as a non-independent member of the Supervisory Board, despite the fact that he stepped down from his executive position at Michelin more than five years ago (at the Shareholders Meeting of May 11, 2012).

Having reviewed the Compensation and Appointments Committee's analyses, the Supervisory Board ruled that all of its members – with the exception of the members representing employees (Delphine Roussy, Jean-Christophe Laourde and Cyrille Poughon), Michel Rollier and Barbara Dalibard – are independent based on the criteria in the AFEP/MEDEF Code. These independent members represent just under 78% of total Supervisory Board members (excluding employee representatives), a significantly higher proportion than the 50% recommended in the AFEP/MEDEF Code, which states that half of the Board members of widely-held corporations without controlling shareholders should be independent.

3.2.7 ASSESSMENT OF THE SUPERVISORY BOARD'S PRACTICES

During 2020, the Supervisory Board's performance was assessed by a specialized firm. The assessment was based on a series of one-on-one interviews with Supervisory Board members and the Managers, conducted by one of the firm's consultants.

The following matters were covered:

- Supervisory Board practices;
- Supervisory Board membership;
- experience and expertise represented on the Board;
- the Board's relations with the Managers, shareholders and other stakeholders;
- practices of the Committees of the Supervisory Board.

As is the case every year, an exchange of views and a discussion of Supervisory Board practices among its members was included on the agenda of the July 24, 2020 Supervisory Board meeting, based on the assessment presented by the external consultant.

The following points were noted:

- the size and membership of the Supervisory Board is conducive to frank, high quality discussions between the members and the management team;
- relations between the Supervisory Board and the Managers are good;
- the Chairman of the Supervisory Board facilitates relations with management;
- the creation of the role of Senior Independent Member has been a success;
- the Management succession plan was successfully implemented with the Non-Managing General Partner and the succession process for the Chairman of the Supervisory Board, the Chairs of the Committees and the Senior Independent Member went smoothly;
- the Committees work efficiently and are unanimously recognized as making a valuable contribution to the work of the Board;
- a CSR Committee was created during the year.

The assessment underscored the importance of:

- continuing to devote the same level of attention to discussing the Group's strategy;
- continuing to prepare the Managers' succession plan.

3.2.8 IMPLEMENTATION OF THE "APPLY OR EXPLAIN" RULE

In accordance with Article L. 22-10-10-4° of the French Commercial Code and paragraph 27.1 of the AFEP/MEDEF Code and the corresponding implementation guidance, the Supervisory Board considers that it complies with the recommendations of the AFEP/MEDEF Code, as adapted to the Company's structure as a French partnership limited by shares (S.C.A.), which was adopted at the time of its formation in 1863, except as explained below:

AFEP/MEDEF Code recommendation	Explanation
Material transactions outside the scope of the firm's stated strategy should be subject to prior approval by the Board of Directors (Recommendation 1.9, first bullet point)	This recommendation in Article 1.9 of the AFEP/MEDEF Code (first bullet point) is not directly applicable because of the Company's legal form as a partnership limited by shares. With this type of partnership, the Managing General Partners have unlimited personal liability and their powers are completely separate from those of the Supervisory Board, With this type of partnership, the Managing General Partners have unlimited personal liability and their powers are completely separate from those of the Supervisory Board, with the result that the Supervisory Board has no legal authority to become involved in managing the Company. However, to (i) ensure that the Supervisory Board exercises effective oversight of the Company's management and (ii) adhere to the spirit of the AFEP/MEDEF recommendation, since 2011 the Company has amended its Bylaws[1][2], as well as the Supervisory Board's internal rules[1]. These internal rules state that the Supervisory Board is responsible for examining investment and external growth transactions, off-balance sheet commitments and asset disposals, and is required to issue a formal opinion in cases where the transactions are material for the Group due to their nature or associated risks. For this purpose, "material" means transactions representing at least €100 million, or at least €50 million in the case of external growth transactions. This means that the Supervisory Board is automatically consulted about all projects that are material for the Group. Moreover, as it expresses an opinion on such projects, it is clearly able to report to shareholders thereon if appropriate. This approach complies with the spirit and aims of the recommendation.
Appointment to the Compensation Committee of a Director representing employees (Recommendation 18.1)	The Company chose to recommend that employees should be represented on the Supervisory Board and an employee of a Group company – Cyrille Poughon – was elected to the Supervisory Board at the 2014 Annual Shareholders Meeting and remained on the Board until October 2020. However, the Compensation and Appointments Committee, which determines executive compensation, does not include any member representing employees. In accordance with the PACTE Act (Act No. 2019-486), at the Annual Shareholders Meeting of June 23, 2020, the Company proposed amending the Bylaws to provide for employees of Group companies to be represented on the Supervisory Board. Following adoption of the proposed resolution by the Annual Shareholders Meeting, two employees were appointed to the Supervisory Board. As explained in the 2019 Universal Registration Document (section 3.3.2 h), the membership of the Committees of the Board was reviewed by the members of the Board. Due to the need for the new members representing employees to acquire both an adequate understanding of the Group's businesses and the skills required to contribute effectively to the work of the Board and its Committees, the Board decided to postpone the appointment of the new members representing employees to the Compensation and Appointments Committee and the other Board Committees until they had completed their induction training[2].
Termination of employment contract in the event of becoming a corporate officer (Recommendation 22)	Due to their status and specific responsibilities, under the long-standing compensation policy applied to Managing General Partners, these partners cease to be covered by any employment contract that may have existed between them and a Group company prior to becoming Managing General Partner. This rule applies even if they have acquired considerable seniority with the Group. In addition, Yves Chapot's mandate as General Manager justifies suspending his pre-existing employment contract with a Michelin Group company: ▶ Yves Chapot is not the most senior executive officer (Manager); he reports to the Managing Chairman who, according to the Company's Bylaws, defines the Managers' areas of responsibility and any restrictions on their powers, as well as setting their annual objectives; ▶ the position of General Manager is therefore similar to that of a Chief Operating Officer or a member of the Management Board of a joint stock corporation, who are not concerned by the AFEP/MEDEF Code's recommendation; ▶ Yves Chapot has acquired considerable seniority, having worked for the Michelin Group without interruption for over 29 years (since 1992); ▶ if Yves Chapot were to cease to be a Manager, any compensation for loss of office or non-compete indemnity due to him would be reduced or canceled if necessary so that the total amount payable – including the termination benefit in respect of his suspended employment contract – would not exceed his final two years' total compensation.

(1) Available from the Group's website www.michelin.com.
Article 17 of the Bylaws states that "(...) The Supervisory Board is jointly and regularly informed about the Company's situation and the key issues listed in the Supervisory Board's internal rules. The Supervisory Board reports to the Shareholders Meeting on the fulfillment of its duties (...)".
(2) Information about the training provided to new Board members representing employees is provided in section 3.2.3.

3.2.9 AUDIT COMMITTEE*

100% attendance rate

4 members*

75% independence

4 meetings

* *At December 31, 2020.*

3.2.9.1 Members(1)

The Audit Committee has at least three members appointed for their full term as Supervisory Board members. At least two-thirds of the members must be independent. Since July 2020(2), the Audit Committee has comprised the following members:

- Patrick de la Chevardière, independent member and Committee Chairman;
- Barbara Dalibard, non-independent (non-executive) member;
- Thierry Le Hénaff, independent member;
- Monique Leroux, independent member;
- Cyrille Poughon, non-independent (non-executive)(3) member.

The qualifications and experience of the Audit Committee members at December 31, 2020 have given them a deep understanding of financial and accounting matters.

3.2.9.2 Role and responsibilities

The role of the Audit Committee is described in its internal rules, available on the Group's website www.michelin.com.

The Audit Committee assists the Supervisory Board in fulfilling its oversight role. It operates as a specialized committee tasked with addressing issues related to the preparation and control of accounting and financial information in accordance with Articles L. 823-19 and L. 823-20-4 of the French Commercial Code.

In 2020, the Chairman of the Audit Committee obtained assurance that the Committee's work in 2019 and 2020 enabled it to fulfill its remit as specified in French law and the AFEP/MEDEF Code.

The Audit Committee's rules of procedure are described in its internal rules.

In view of the distance they may have to travel to attend meetings and the other business commitments not only of the Supervisory Board and Audit Committee members but also of the members of Executive Management, the Audit Committee conducts its formal review of the financial statements half a day before they are examined by the Supervisory Board.

3.2.9.3 Activities in 2020

The Audit Committee held four scheduled meetings in 2020 (on February 6, April 27, July 23 and December 14) and two unscheduled meetings (on September 29 and October 21). The attendance rate at these meetings was 100%.

The main purpose of the meetings held in 2020 was to review:

- The audited parent company financial statements for 2019, the parent company projections prepared in accordance with French law, and the audited consolidated financial statements for 2019, as presented by the Manager and Chief Financial Officer, the Deputy Chief Financial Officer and the Senior Vice President, Accounting. The Committee focused on reviewing the treatment of recently acquired businesses in the consolidated financial statements, key figures and non-recurring events in 2019. It noted that the audit of the accounts had gone smoothly. The Statutory Auditors reported to the Committee on their audit, noting that they would be issuing an unqualified opinion, without any emphasis of matter, on both the separate and consolidated financial statements. They also submitted their written report to the Audit Committee.
- The interim consolidated financial statements for the six months ended June 30, 2020 and the information on the parent company projections prepared in accordance with French law, as presented by the Manager and Chief Financial Officer, the Deputy Chief Financial Officer and the Senior Vice President, Accounting. The Committee performed a detailed review of the Group's results for the first half of 2020 and discussed with the Statutory Auditors the nature and conclusions of their work. The Statutory Auditors reported to the Committee on their limited review of the interim financial statements for the six months ended June 30, 2020. Their limited review report did not contain any qualifications or emphasis of matter.
- The financial information for the third quarter of 2020 and related financial press release, as presented by the Manager and Chief Financial Officer, the Deputy Chief Financial Officer and the Senior Vice President, Accounting.

(1) Biographical details and other information concerning the members of this Committee of the Supervisory Board are provided in section 3.1.3.4 of this 2020 Universal Registration Document.

(2) Between January 2020 and June 2020, its members were: Olivier Bazil, independent member and Committee Chairman; Jean-Pierre Duprieu, independent member; Thierry Le Hénaff, independent member; Monique Leroux, independent member; Cyrille Poughon, non-independent (non-executive) member.

(3) Until he stepped down from the Board in October 2020.

- Preparation of the 2020 accounts closing, as presented by the Manager and Chief Financial Officer, the Deputy Chief Financial Officer and the Senior Vice President, Accounting.
- Risk management and internal control systems (including self-assessments, controls and the follow-up of action plans), presented by the Deputy Chief Financial Officer, the Senior Vice President, Audit, Quality, Internal Control and Risk Management, and the Head of Internal Control.
- The internal audit plan and the audits carried out in 2020 (including the adjustments made to the plan in light of the Covid-19 crisis and changes in the structure of the internal auditors' activities), presented at the quarterly meetings by the Internal Audit Director.
- The Committee's work also covered the following areas:
  - review of information systems risk management, presented by the Information Systems Director;
  - management of financial risks and the financing of subsidiaries, presented by the Senior Vice President, Corporate Finance;
  - the anti-corruption system established in application of the Sapin II Act, presented by the Vice President, Legal Affairs;
  - the Group's legal organization and developments concerning tax risks, presented by the Deputy Chief Financial Officer, the Senior Vice President, Tax and Customs, the Vice President, Legal Affairs and the Company Law Director;
  - execution of the OPE business process management system program. The program director outlined the various phases of the program and its deployment status.

The Chairman of the Audit Committee reported to the Supervisory Board on the Committee's work on February 7, April 29, July 24, and December 14, 2020.

3.2.10 COMPENSATION AND APPOINTMENTS COMMITTEE

100% attendance rate

3 members

100% independence

3 meetings

3.2.10.1 Members[1]

The Compensation and Appointments Committee must comprise at least three members (including the Chair of the Committee) who fulfill the criteria for classification as independent throughout their term as members of the Supervisory Board.

Since July 2020[2], the Compensation and Appointments Committee has comprised the following members:

- Jean-Pierre Duprieu, independent member and Committee Chairman;
- Aruna Jayanthi, independent member;
- Anne-Sophie de La Bigne, independent member.

As planned in 2019 (see section 3.3.2 h) of the 2019 Universal Registration Document), the Supervisory Board members reviewed the membership of all of the Board Committees. Due to the need for the new members representing employees to acquire both an adequate understanding of the Group's businesses and the skills required to contribute effectively to the work of the Board and its Committees, the Board decided to postpone the appointment of the new members representing employees to the Compensation and Appointments Committee and the other Board Committees until they had completed their induction training[3].

3.2.10.2 Role and responsibilities

The role of the Compensation and Appointments Committee, which is described in its internal rules available on the Group's website www.michelin.com, includes the following:

- executive management appointments and compensation policy;
- talent management, diversities and inclusion policy;
- the policy concerning the appointment of Managers, including career and succession plans, developed jointly with the Non-Managing General Partner (SAGES)[4];
- the compensation awarded to the Managers, the Chairman of the Supervisory Board and the other Supervisory Board members, with the Managers' compensation discussed with the non-Managing General Partner (SAGES)[4];
- the membership of the Supervisory Board and its Committees, and the succession plan for the Chairman of the Supervisory Board.

The Compensation and Appointments Committee's rules of procedure are described in its internal rules.

(1) *Biographical details and other information concerning the members of this Committee of the Supervisory Board are provided in section 3.1.3.4 of this 2020 Universal Registration Document.*
(2) *Between January 2020 and June 2020, its members were: Barbara Dalibard, independent member (until end-May 2020) and Chair of the Committee; Aruna Jayanthi, independent member; Anne-Sophie de La Bigne, independent member; Michel Rollier, non-independent (non-executive) member.*
(3) *For more information, see sections 3.2.3 and 3.2.8.*
(4) *See the detailed description in section 3.1.4 of this report.*

3.2.10.3 Activities in 2020

The Compensation and Appointments Committee met three times in 2020 – on January 30, April 28 and October 23 – with a 100% attendance rate.

The Committee's work mainly consisted in reviewing the following issues:

- review of the corporate officers' compensation. In early 2020, the Committee analyzed and submitted to the Supervisory Board its conclusions about the achievement rates for the performance criteria used to determine the variable compensation due or awarded by the Company to the Managers and the Chairman of the Supervisory Board for 2019, so that the Board could submit its own conclusions to the General Partners (SAGES, Non-Managing General Partner, and Florent Menegaux, General Partner and Managing Chairman) for approval.

  These compensation components were put to the vote at the Annual Shareholders Meeting of June 23, 2020 in the 8th to 11th resolutions, which were each adopted by a majority of over 95% of the votes cast.

  Based on the Committee's recommendation, the Supervisory Board examined the compensation awarded to its Chairman and prepared and recommended the components of his compensation to be put to the vote at the Annual Shareholders Meeting of June 23, 2020. The corresponding resolution (12th resolution) was approved by a majority of 99.90% of the votes cast.

  The Compensation and Appointments Committee also reviewed and proposed to the Supervisory Board the components of the Managers' 2020 variable compensation.

  In early 2021, the Committee analyzed the various components of the Managers' compensation and noted the achievement rates for the applicable performance criteria. It then presented its conclusions and recommendations to the Supervisory Board.
- Review of Supervisory Board members' independence and any conflicts of interest. The Committee performed its annual review of the Supervisory Board members' independence, by examining in particular whether there were any business relationships between the members and Michelin that could be qualified as material[1].
- Executive management succession plan. The Compensation and Appointments Committee of the Supervisory Board periodically reviews the succession plans and career plans of the Group's executive management team, Managers and current or potential future members of the Executive Committee, in order to ensure a smooth succession to these positions when the time comes or to deal with any crisis situation. The review is also designed to enable the Committee to express an opinion on proposed candidates to succeed Managers to be submitted for approval at the Annual Shareholders Meeting.

  To the above ends, for several years now the Compensation and Appointments Committee, led by its successive chairs, and with the Senior Independent Supervisory Board member, has analyzed the performance appraisals of key executives prepared by management with the assistance of an independent firm of consultants. The Committee has held very instructive discussions with these consultants that have enabled it to appreciate the quality of their work.
- Talent management, diversities and inclusion. In 2020, the Compensation and Appointments Committee reviewed the changes in the membership of the Group Executive Committee, the talent management policy and the action plans to promote diversities and inclusion, not only at senior management level but also throughout the Group.
- Recommendations concerning the re-election of Supervisory Board members at the Annual Shareholders Meetings of June 23, 2020 and May 21, 2021. At the Supervisory Board's request, the Committee reviewed the proposed re-election of Supervisory Board members.

  Assisted by external consultants, the Committee implemented the candidate selection process to replace Michel Rollier as a Supervisory Board member, giving preference to candidates with expertise in the automotive and sustainable mobility sector.

  The Committee's work and its recommendations to the Supervisory Board are described in detail in section 7.2.1 of the 2019 Universal Registration Document for the re-elections/elections proposed at the Annual Shareholders Meeting of June 23, 2020 and in the Supervisory Board's report on the proposed resolutions (see section 7.2 of this Universal Registration Document) for the re-elections to be proposed at the Annual Shareholders Meeting of May 21, 2021.
- Variable compensation policy. As in prior years, the Committee reviewed the Group's variable compensation and performance share policies, as well as changes to these policies.

The successive chairs of the Committee reported to the Supervisory Board on the Committee's work on February 7, April 29 and December 14, 2020.

(1) See the detailed description in section 3.2.6 of this report.

3.2.11 CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

100% attendance rate

3 members

100% independence

1 meeting

3.2.11.1 Members(1)

Since its creation in the second half of 2020, the CSR Committee has comprised:

- Monique Leroux, independent member and Chair of the Committee;
- Anne-Sophie de La Bigne, independent member;
- Jean-Michel Severino, independent member.

3.2.11.2 Role and responsibilities

The role of the CSR Committee is described in its internal rules, available on the Group's website www.michelin.com.

The Committee's remit covers the various aspects of corporate social responsibility and it cooperates closely with the Compensation and Appointments Committee and the Audit Committee on cross-functional matters that are of interest to them.

The CSR Committee's rules of procedure are described in its internal rules.

3.2.11.3 Activities in 2020

The Committee was created in the latter part of the year and held only one meeting, on November 18, with a 100% attendance rate.

The Committee's work mainly consisted in:

- designing its processes and organizing its work;
- reviewing certain sections of the Universal Registration Document and analyzing the CSR key performance indicators;
- reviewing non-financial reporting standards and new practices followed by some companies that now incorporate certain non-financial data in their financial statements;
- analyzing the Group's ESG ratings and considering ways to improve them;
- reviewing changes in the Industrial Michelin Environmental Performance (i-MEP) indicator, which replaces the Michelin Environmental Footprint (MEF) indicator (see detailed explanation in section 4. Methodology – Environmental indicators).

The Chair of the Committee reported to the Supervisory Board on the Committee's work on December 14, 2020.

3.3 MANAGEMENT AND SUPERVISORY BOARD COMPENSATION POLICIES FOR 2021

3.3.1 GENERAL PRINCIPLES

Since 2014, the compensation awarded to the Managers and the Chairman of the Supervisory Board has been submitted to the shareholders at the Annual Meeting.

In the same way as in 2020, in application of French Act No. 2019-486 dated May 22, 2019 (the "PACTE Act") and other legal and regulatory provisions in force in 2020, at the Annual Shareholders Meeting of May 21, 2021, the General Partners and, on the recommendation of its Compensation and Appointments Committee, the Supervisory Board will ask shareholders to approve the 2021 Compensation Policy applicable to (i) the Managers and (ii) the Supervisory Board.

The Compensation Policy applicable to the Managers and the Supervisory Board is prepared and revised in accordance with the relevant laws and regulations.

Article L. 22-10-76-I of the French Commercial Code stipulates that the Compensation Policy applicable to the Managers and the Supervisory Board must be compatible with the Company's corporate interests.

(1) Biographical details and other information concerning the members of this Committee of the Supervisory Board are provided in section 3.1.3.4 of this 2020 Universal Registration Document.

It must contribute to its marketing strategy as well as the long-term sustainability of the business. This Compensation Policy establishes a competitive framework aligned with the Group's strategy and business environment. The policy is designed to increase medium- and long-term performance and competitiveness and is therefore in the Group's best corporate interests, in accordance with the AFEP/MEDEF Code.

The policy contributes to the Company's marketing strategy by requiring the Group's performance to be factored into the calculation of variable compensation, in particular:

- the Managers' variable compensation (annual, long-term) represents the predominant part of their total compensation; and
- the amount they receive in variable compensation depends on the achievement of objectives related to the Group's main performance indicators, which also apply to the employees of Group companies.

The policy contributes to the Company's sustainability by requiring the Group's performance to be factored into the calculation of variable compensation, in particular:

- for each Manager:
  - the performance indicators applicable to their variable compensation (annual and long-term) focus on sustained performance in line with the Group's strategy;
  - part of their long-term variable compensation consists of performance shares that are subject to vesting conditions linked to the achievement of performance objectives over several years;
  - the performance shares received when the vesting conditions have been met may not be sold for as long as they serve as a Manager;
- for the Managing Chairman, the Compensation Policy takes into account his position as General Partner with unlimited joint and personal liability for the Company's debts by deducting his annual variable compensation from the amounts due to the General Partners out of the Company's profits (if any);
- for the members of the Supervisory Board, most of their compensation as Supervisory Board member and, if applicable, member of a Committee of the Board, is based on their attendance rate at Board and Committee meetings, which are scheduled at the start of the year.

In the decision-making process for the determination and revision of the Compensation Policy, the Company has chosen to take into account the compensation and employment conditions of employees of its main French subsidiary, Manufacture Française des Pneumatiques Michelin ("MFPM" or the "Scope")(1).

For 2021, the Managers have decided to share the quantitative performance criteria and indicators defined by the Supervisory Board for their own annual variable compensation with Scope employees and eligible employees of Group companies. Concerning their long-term variable compensation, the Managers will be awarded performance shares subject to more demanding vesting conditions and criteria than those applicable to the Group's performance share plans for eligible Scope employees.

Conflicts of interest are avoided in the drafting, revision and implementation of the Compensation Policy due to the involvement of the Supervisory Board and the Compensation and Appointments Committee, whose members are all independent. The procedures for managing conflicts of interest within the Supervisory Board are described in section 3.2.6.

In accordance with the second paragraph of Article L. 22-10-76-III of the French Commercial Code, the General Partners, where the Managers are concerned, or the Supervisory Board, where the Supervisory Board members are concerned, may depart from this Compensation Policy provided that the following conditions are met:

- any departure from the Policy must be only temporary, consistent with the corporate interest and necessary to ensure the Company's long-term sustainability and viability; in addition, it may only concern the following compensation components: annual and deferred variable compensation, exceptional compensation;
- the Policy may be departed from only in exceptional circumstances, such as - for example - the currently unforeseeable effects of a health crisis and/or a systemic economic crisis, or a significant change in the Group's scope. It being specified that any change in an aspect of the Compensation Policy must be made public and justified, in particular as regards the Group's best corporate interests over the long-term;
- in the case of exceptional compensation, with payment subject to the approval of the Annual Shareholders Meeting, in accordance with the law.

The 2021 Compensation Policy is the subject of two proposed resolutions to be presented at the Annual Shareholders Meeting to be called to approve the 2020 financial statements:

- the 6th resolution concerning the policy applicable to the Managers, presented in section 3.3.2 below;
- the 7th resolution concerning the policy applicable to the members of the Supervisory Board, presented in section 3.3.3 below.

3.3.2 COMPENSATION POLICY: THE MANAGERS

This section describes the components of the Compensation Policy for the Managers. These components are presented in a proposed ordinary resolution approved by the General Partners that will be submitted for shareholder approval at the Annual Meeting to be called to approve the 2020 financial statements (6th resolution).

(1) *The Company has very few employees (less than five, none of whom are executive directors) and their compensation and employment conditions do not therefore represent a relevant benchmark.*

3.3.2.1 Principles for determining compensation

The compensation of the Managing Chairman and General Partner is decided by the General Partners and is subject of a deliberation by the Supervisory Board. Then:

- the annual variable compensation is deducted from the General Partners' Profit Share, as explained in section 3.3.2.3.1 below;
- the long-term variable compensation is awarded in the form of performance shares;
- the fixed compensation is paid by a subsidiary of the Company in exchange for his services as Manager of that company.

The fixed and variable annual compensation of the General Manager and his long-term variable compensation (performance shares) are decided by the General Partners and are the subject of a deliberation by the Supervisory Board.

The Committee also reviews all amounts and benefits due, awarded or to be awarded to the Managers for the previous year by Group companies. As part of the review, the Committee particularly verifies that the amounts paid or awarded to the Managers are proportionate and consistent in terms of (i) the Group's performance and (ii) industry and market practice.

3.3.2.2 Fixed compensation

Considering the efforts that the Michelin Group's employees and other stakeholders have been called upon to make in order to deal with the consequences of the Covid-19 health crisis, the Managing Chairman, the General Manager and the Non-Managing General Partner decided in application of the 2020 Compensation Policy and with the unanimous backing of the Supervisory Board, to:

- maintain the Managers' fixed compensation at the amounts decided at the time of their appointment in 2018, i.e., €900,000 for Florent Menegaux and €600,000 for Yves Chapot; and
- reduce this fixed compensation by 25% for the period during which employees were furloughed in 2020.

The Compensation and Appointments Committee noted that their fixed compensation for both 2018 and 2020 remained below the median fixed compensation of equivalent categories of executives of comparable companies (CAC 40 companies), as evidenced by annual surveys conducted by leading specialized consultancies.

In light of the current economic crisis and the policy of salary moderation decided for Scope employees[(1)] for 2021, the Managers informed the Committee that they did not want their fixed compensation to be raised in 2021.

In conclusion, the Committee proposed to keep the Managers' fixed compensation for 2021 at the level applicable since 2018, i.e., €900,000 for Florent Menegaux and €600,000 for Yves Chapot, and to recommend that these amounts be reviewed in 2022.

3.3.2.3 Annual and long-term variable compensation

Shared principles

To engage Managers more deeply in the Company's performance and encourage them to act with its long-term interests in mind, their variable compensation includes an annual portion and a long-term portion, both of which are subject to performance conditions.

This structure means that the Managers' variable compensation fluctuates partly in line with net income for the year and partly on the basis of several additional performance conditions related to factors that are essential for the deployment of Michelin's strategy to deliver sustainable growth.

The level and terms of the Managers' compensation take into account the positions of Managing Chairman and Managing General Partner, as well as the difference in status between a Managing General Partner and a General Manager.

Annual variable compensation

Florent Menegaux, Managing Chairman and General Partner

In light of the General Partners' unlimited several personal liability for the Company's debts, the Managing General Partner(s) and the Non-Managing General Partner, SAGES, are entitled to a share of annual profit (the "Profit Share") determined on the basis defined in the Company's Bylaws.

Each year, the General Partners decide on the cap to be applied to the Profit Share attributed to the Managing General Partner(s), which constitutes the variable annual compensation of the Managing General Partner(s). The Supervisory Board defines the performance criteria and objectives applicable to this variable annual compensation of the Managing General Partner(s). This means that their interests are fully aligned with those of the shareholders, as they are paid Profit Share only if the Company makes a profit[(2)].

The compensation of the Managing General Partner(s) is also subject to shareholder approval in accordance with the applicable regulations, based on regulatory conditions.

(1) Scope employees are all employees of MFPM (see section 3.3.1).
(2) Substantially all of the Profit Share received by SAGES, Non-Managing General Partner, is credited to the contingency reserve set up in application of its Bylaws.

Allocation method

The Profit Share defined in the Company's Bylaws corresponds to 12% of net profit for the year less dividends received from Manufacture Française des Pneumatiques Michelin (MFPM) and Compagnie Financière Michelin SA (CFM) (distribution of profits or reserves), capped at 0.6% of consolidated net profit for the year. It is allocated between the General Partners by mutual agreement, after consulting the Supervisory Board.

This agreement:

- sets the annual cap on the Profit Share that can be allocated to the Managing General Partner;
- describes the Profit Share allocation terms and conditions, performance criteria and the related objectives to be met by the Managing General Partner.

With effect from 2021, the purpose of the 15th and 16th draft resolutions submitted to the Extraordinary Shareholders Meeting of May 21, 2021, is to amend Articles 12 and 30 of the Company's Bylaws to modify the characteristics of the Profit Share. The main proposed changes are as follows:

- the Profit Share calculation formula would be simplified by deleting references to the Company's net income and to the dividends paid by the Company's two main subsidiaries, with the total Profit Share due to the General Partners continuing to be capped at 0.6% of consolidated net income for the year;
- the Bylaws would stipulate that the portion of the Profit Share attributable to the Managing General Partner(s) will be determined by reference to the objectives set in advance by the Supervisory Board;
- the portion of the Profit Share attributable to the Non-Managing General Partner, SAGES, would be equal to the amount attributable to the Managing General Partner(s), and no longer correspond to the balance of the Profit Share not attributed to the Managing General Partner(s);
- the Bylaws would stipulate that free shares may be awarded to the Managers, regardless of whether they are General Partners.

Calculation method

The performance targets are proposed by the Managing General Partner to the Supervisory Board's Compensation and Appointments Committee before being discussed by the Board.

In assessing the level of the Profit Share, the Compensation and Appointments Committee considers:

- AFEP/MEDEF Code recommendation 25 concerning the calculation principles and content of compensation packages;
- the intrinsic variability of the Company's profits;
- projected future profits; and
- the General Partner's unusual situation.

At each fiscal year-end, the Compensation and Appointments Committee assesses the Managing General Partner's results in relation to the applicable objectives.

The performance criteria determined by the Supervisory Board include:

- a quantitative criterion based on consolidated net income for the year, for 4% of the Managing General Partner's Profit Share (criterion also used – after adjustment – to determine the Managing Director's variable compensation);
- a quantitative criterion based on growth in Segment Operating Income (SOI), for up to 8% of the Profit Share (criterion also used to determine the variable compensation of the General Manager and all Group employees eligible to participate in the bonus scheme);
- a quantitative criterion based on growth in structural free cash flow before acquisitions, for up to 8% of the Profit Share (criterion also used to determine the variable compensation of the General Manager and all Group employees eligible to participate in the bonus scheme); if all three quantitative performance objectives are met in full, 16% of the Profit Share for the year will vest;
- quantifiable qualitative criteria based on the Group's strategic ambitions and managerial expectations, for up to 4% of the Profit Share (criterion also used to determine the variable compensation of the General Manager). These criteria concern three areas in particular: deployment of the transformations decided in 2020 to support the Group's new strategy, employee safety, and implementation of the synergies arising from recent acquisitions.

The maximum amount receivable in respect of this annual variable compensation would:

- correspond to the amount payable if all the objectives for the selected criteria were met; and
- be capped at 16% of the Profit Share for the quantitative criteria (including the criterion based on net income) and 4% of the Profit Share for the qualitative objectives. For example, assuming that the Profit Share were equivalent to the amount proposed on the basis of 2019 income (2020 net income is not a representative indicator, due to the Covid-19 crisis), the maximum amount would be €2,076,000.

The following will be applied to each criterion:

- a trigger point below which no compensation will be due;
- an intermediate tranche between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective;
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable.

For reasons of confidentiality and business secrecy, and in particular to avoid disclosing information about the Company's strategy that could be used by business competitors for their advantage, the Supervisory Board has elected not to disclose details of the performance targets set for these quantitative and quantifiable criteria. However, to permit historical comparisons, the 2020 objectives set by the Supervisory Board for the quantitative performance criteria are presented in section 3.4.3 of this report.

Yves Chapot, General Manager

Yves Chapot's annual variable compensation would be calculated on a base equal to one-and-a-half times his 2021 fixed compensation, with the same or very similar performance criteria to those used to determine the Managing Chairman's variable compensation, as presented in the above section concerning Florent Menegaux:

- quantitative performance criteria, for up to 80% of the base;
- quantifiable qualitative criteria, for up to 20% of the base;
- The maximum amount receivable in respect of this annual variable compensation would:
  - correspond to the amount payable if all the objectives for the selected criteria were met, and
  - be capped at 150% of Yves Chapot's fixed compensation for 2021, representing a maximum of €900,000 for fixed compensation of €600,000.

The performance objectives will be assessed and presented in the same way as for the Managing Chairman.

For reasons of confidentiality and business secrecy, and in particular to avoid disclosing information about the Company's strategy that could be used by business competitors for their advantage, the Supervisory Board has elected not to disclose details of the performance targets set for these quantitative and quantifiable criteria. However, to permit historical comparisons, the 2020 objectives set by the Supervisory Board for the quantitative performance criteria are presented in section 3.4.4 of this report.

Long-term variable compensation: performance share rights

Effective from 2020[(1)], and in order to align Managers' medium- and long-term objectives with the objectives assigned to employees of Group companies, Yves Chapot's long-term variable compensation takes the form of Michelin performance share rights granted pursuant to the authorization given by the Annual Shareholders Meeting of June 23, 2020[(2)] concerning annual share plans for employees and the Managers.

Details of the performance criteria and related intermediate achievement rates are presented in section 6.5.4 c) of the 2020 Universal Registration Document.

Effective from 2021, the following changes will be carried out.

Firstly, the Michelin Environmental Footprint – MEF – will be replaced by the i-MEP (Industrial-Michelin Environmental Performance). Since 2005, Michelin has measured and disclosed the main impacts of its industrial activities based on the MEF indicator. This indicator now needs to be updated to reflect the extensive progress made and the emergence of new environmental challenges since its launch.

The new i-MEP indicator will track the environmental impact of the Group's manufacturing operations over the next ten years. The i-MEP will make the impacts easier to understand by focusing on five priority areas: energy use, CO_2 emissions, organic solvent use, water withdrawals and stress, and waste production.

On the other hand, to strike a better balance between the People, Planet and Profit criteria, the weighting of the different performance criteria will be adjusted to bring the total share of the CSR performance criterion to 40% (two indicators) versus 30% in 2020, and the total share of the operational performance criterion to 30% (15% for each indicator) versus 40% in 2020.

The target for the stock market criterion is an outperformance of the Michelin share by 5 points over that of the Stoxx Europe 600 index. The target for market outperformance, lower than in the 2020 plan, remains very ambitious.

Regarding the engagement rate, the progress made at the end of 2020 (rate of 83%) as well as the integration of new companies recently acquired within the scope of this criteria, make any additional gain beyond the rate reached in 2020 more demanding.

These adjustments are summarized in the following table:

Criteria		Weighting
Share price performance	The gain in the Michelin share price must be 5 points greater than that of the Stoxx Europe 600 index	30%
Corporate social responsibility performance	The industrial-Michelin Environmental Performance (i-MEP[(1)]) indicator must be between 92 and 88 in the third year of the plan	20%
	The annual increase in the average employee engagement rate[(1)] must exceed 1 point	20%
Operating performance	Average annual growth in revenue (excluding tires and distribution) must be between 3% and 8%.	15%
	Total consolidated ROCE (including acquisitions, related goodwill and equity-accounted companies) must be between 10% and 11% in the third year of the plan (final ROCE).	15%

(1) Annual scope based on reported figures, including acquisitions from the fourth year of consolidation in the Group's financial statements.

(1) Since 2016, in response to shareholder expectations and the changing market environments in which the Group's businesses operate, the Managers' cash-settled long-term incentive bonuses were subject to the same performance criteria as those applicable to the employee performance share plans (that were not open to the Managers).

(2) 25th resolution of the Annual Shareholders Meeting of June 23, 2020, adopted by a 97.02% majority of the votes cast; see section 7.1.1 of the 2019 Universal Registration Document.

The main specific characteristics of the performance share rights that may be awarded to the Managers are as follows:

- the awards are decided annually by the Managing Chairman on the proposal of the General Partners, after the performance conditions and criteria have been determined by the Supervisory Board;
- the total performance share rights awarded to the Managers during the period of validity of the above resolution will be capped at 0.05% of the Company's share capital on the date of the Shareholders Meeting at which the resolution is adopted;
- in addition, the value of each annual award will be capped at a percentage of the Manager's fixed annual compensation for the award year, set at 100% for the Managing Chairman and 100% for the General Manager;
- the Managers will be required to hold 40% of the vested shares for as long as they remain in office;
- concerning the Managing Chairman and General Partner, the vested performance shares would be delivered to him only if Profit Share was distributed in respect of the year preceding the one in which the shares are issued;
- if a Manager ceases to hold this position:
  - following his resignation or removal from office due to mismanagement, all the performance share rights would be forfeited;
  - for any other reason, such as the expiration of his term or due to disability or death before the end of the reference period for determining the achievement rate for the performance criteria, he would retain a number of performance share rights initially awarded to him prorated to the time served in office during the plan period (or the total number in the case of disability or death), and the reference three-year period would continue to run, during and beyond the end of his term.

3.3.2.4 Fringe benefits and directors' compensation

Each Manager has a fringe benefit in the form of a Company car.

They do not receive any compensation (previously referred to as attendance fees) for serving on the Board of the Company or any Group subsidiaries.

As executive officers of the Company or MFPM, the Managers are covered by health and death/disability insurance plans in the same way as the employees of the Company or MFPM.

3.3.2.5 Stock options

No stock options are granted to the Managers by the Company or any Group subsidiaries.

3.3.2.6 Pension benefits(1)

There is no specific supplementary pension plan set up for the Managers or the Chairman of the Supervisory Board.

Florent Menegaux, in his capacity as General Manager of MFPM, and Yves Chapot, in his capacity as General Manager of CGEM, participate in the supplementary pension plans described in sections 3.4.3.5 and 3.4.4.5 of this 2020 Universal Registration Document.

In accordance with Government Order No. 2019-697 dated July 3, 2019, the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan) has been closed to new members since July 4, 2019 and the vesting period was frozen at December 31, 2019.

Under the rules of the Michelin Executive Supplementary Pension Plan, the vested rights of the current two Managers entitle them to the maximum pension benefits, capped at 15% since December 31, 2018. Consequently, the freeze on the vesting period will have no impact on the pension benefits payable to them when they retire.

If a Manager was no longer able to participate in the Michelin Executive Supplementary Pension Plan, he could be given the opportunity to either (i) participate in a new defined contribution plan, or (ii) build up a pension fund by receiving an initial seed capital award, in cash or shares, and annual payments.

The current Managers participate in the "Article 83" mandatory pension plan in the same way as all employees of CGEM and MFPM.

3.3.2.7 Compensation for loss of office

In accordance with Article 13-2 of the Bylaws, if a Manager were to be removed from office before the end of his term as a result of a change of strategy or a change of control of the Company, provided such removal was not due to gross misconduct, he would be entitled to compensation for loss of office to be decided by the Non-Managing General Partner, SAGES, subject to the prior approval of the Supervisory Board. The amount of any such compensation would not exceed the equivalent of the Manager's total compensation for the two years preceding the year of his removal from office.

(1) The disclosures in this section and in sections 3.4.3.5 and 3.4.4.5 of this 2020 Universal Registration Document comply with the provisions of the PACTE Act, as set out in Article D. 225-29-3 of the French Commercial Code.

By decision of the Supervisory Board, it would be based on the performance criteria used to determine his annual variable compensation and would be calculated using the following formula:

[Total compensation paid over the two years preceding the loss of office] x [the average (in %) of the achievement rates for the annual variable compensation for the three years preceding the loss of office].

The compensation for loss of office would be reduced, if applicable, so that any other severance payments due to a Manager would not result in his receiving an aggregate severance package in excess of two years' compensation, as recommended in the AFEP/MEDEF Code.

3.3.2.8 Non-compete clause

In the same way as Michelin employees who have specific expertise that needs to be protected to prevent its use by a competitor in a manner that is detrimental to the Company's interests, each Manager is subject to a non-compete clause.

If the Company decided to apply this non-compete clause for a period of up to two years, in line with the conditions described in section 3.6.1.12 of this 2020 Universal Registration Document:

- Florent Menegaux, Managing General Partner and Managing Chairman, would be entitled to a non-compete indemnity of up to 24 months' compensation based on his most recent annual fixed compensation as Manager;
- Yves Chapot, General Manager, would be entitled to a non-compete indemnity of up to 24 months' compensation based on the compensation defined in his suspended contract of employment for the position held immediately before his election as Manager. The terms of the commitment would be amended in 2021 so that the above baseline would be indexed to the average growth in compensation of Michelin Executive Committee members since his employment contract was suspended.

In accordance with Article R.22-10-40-III of the French Commercial Code, the above compensation would not be payable if Florent Menegaux or Yves Chapot retired on leaving the Group.

In accordance with the AFEP/MEDEF Code:

- the Company may waive application of this clause;
- if compensation for loss of office were to be awarded as provided for above (see "Compensation for loss of office" above), the non-compete indemnity would be reduced or withheld entirely, if necessary, so that the Manager's aggregate severance package, including the non-compete indemnity referred to above, would not exceed the equivalent of the aggregate of his last two years' compensation.

3.3.2.9 Exceptional compensation

There are no plans to award any exceptional compensation to either of the Managers, except as a departure from the current Compensation Policy subject to the conditions set out in section 3.3.1 above.

3.3.2.10 Employment contract

Due to his status and specific responsibilities, under the applicable Compensation Policy the Managing General Partner ceases to be covered by any employment contract that may have existed between him and a Group company. This rule applies even if he has acquired considerable seniority with the Group.

Consequently, Florent Menegaux no longer has an employment contract with the Company or any of its subsidiaries since he became Managing General Partner of the Company[(1)].

In addition, Yves Chapot's mandate as General Manager justifies suspending his pre-existing employment contract with a Michelin Group company:

- Yves Chapot is not the most senior executive officer (Manager); he reports to the Managing Chairman who, according to the Company's Bylaws, defines the Managers' areas of responsibility and any restrictions on their powers, as well as setting their annual objectives;
- the position of General Manager is therefore similar to that of a Chief Operating Officer or a member of the Management Board of a joint stock corporation. The AFEP/MEDEF Code does not recommend terminating these executives' employment contracts;
- Yves Chapot has acquired considerable seniority, having worked for the Michelin Group without interruption for over 29 years (since 1992);
- if Yves Chapot were to cease to be a Manager, any compensation for loss of office or non-compete indemnity due to him would be reduced or canceled if necessary so that the total amount payable – including the termination benefit in respect of his suspended employment contract – would not exceed his final two years' total compensation.

(1) This adaptation to the full application of the AFEP/MEDEF Code's recommendations is mentioned in the table in section 3.2.8 prepared in accordance with the "comply or explain" rule.

3.3.2.11 Proposed resolution on the Compensation Policy for the Managers

At the Annual Meeting called to approve the 2020 financial statements, shareholders will be asked to approve the following resolution:

6th resolution

Approval of the Compensation Policy applicable to the Managers

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-76-II of the French Commercial Code, approves the Compensation Policy applicable to the Managers drawn up by the General Partners, as presented in the Corporate Governance Report set out in sections 3.3.1 and 3.3.2 of the Company's 2020 Universal Registration Document.

3.3.3 COMPENSATION POLICY: MEMBERS OF THE SUPERVISORY BOARD

This section describes the components of the Compensation Policy applicable to the members of the Supervisory Board. These components are presented in a proposed resolution approved by the General Partners that will be submitted for shareholder approval at the Annual Meeting called to approve the 2020 financial statements (7th resolution).

Concerning the members of the Supervisory Board, the Bylaws state that the Ordinary Shareholders Meeting may award a fixed annual amount to the Supervisory Board, to be allocated by the Board among its members in accordance with the Compensation Policy that it has drawn up.

The compensation components were determined by the Supervisory Board on the recommendation of its Compensation and Appointments Committee.

3.3.3.1 Compensation for service as members of the Supervisory Board

At the Annual Shareholders Meeting of May 17, 2019, the total compensation payable to Supervisory Board members was set at €770,000 (12th resolution, adopted by a majority of 99.15% of the votes cast).

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to allocate this annual amount as follows:

- allocation of a basic amount to each member (€45,000);
- allocation of additional amount 1 to each member who sits on a Committee of the Supervisory Board and participates in its work (€15,000);
- allocation of additional amount 2 to each member who serves as Chair of a Committee of the Supervisory Board and participates in its work, (€30,000 or €35,000 for the Chair of the Audit Committee) (recipients of this additional amount 2 are not entitled to additional amount 1 for their participation in the Committee's work);
- allocation of additional amount 3 to the Senior Independent Member of the Supervisory Board (€15,000);
- allocation of additional amount 4 to the Chairman of the Supervisory Board (€75,000), who is not entitled to additional amounts 1, 2 or 3;
- allocation of additional amount 5 to Supervisory Board members who live outside Europe on a permanent basis (€10,000);

Payment of 60% of the total amount receivable (basic amount and any of the additional amounts defined above) will depend on the member's attendance rate at meetings of the Supervisory Board and of any Committees of which he or she is a member, based on the meeting schedule established at the start of the year.

The attendance rate and the corresponding allocation of annual compensation for a given year will be prepared by the Compensation and Appointments Committee then approved by the Supervisory Board during the first quarter of the following year.

The compensation will be paid (including to the Chairman of the Supervisory Board) during the first half of the year following the one to which it relates, provided that the resolution on the disclosures required by Article L. 22-10-9 of the French Commercial Code has been approved by the Annual Shareholders Meeting called to approve the financial statements for the year preceding the one to which the compensation relates.

3.3.3.2 Other compensation

As the Supervisory Board members do not hold any other positions within the Company or the Michelin Group, they do not receive any other compensation from the Company or its subsidiaries.

3.3.3.3 Proposed resolution on the Compensation Policy for members of the Supervisory Board

At the Annual Meeting called to approve the 2020 financial statements, shareholders will be asked to approve the following resolution:

7th resolution

Approval of the Compensation Policy applicable to members of the Supervisory Board

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-76-II of the French Commercial Code, approves the Compensation Policy applicable to the members of the Supervisory Board, as presented in the Corporate Governance Report set out in sections 3.3.1 and 3.3.3 of the Company's 2020 Universal Registration Document.

3.4 INFORMATION ABOUT THE COMPONENTS OF COMPENSATION PAID OR AWARDED TO THE CORPORATE OFFICERS

3.4.1 COMPENSATION OF THE MEMBERS OF THE SUPERVISORY BOARD

No variable compensation was paid to them in 2020 or awarded to them in respect of that year. The Chairman and the independent members of the Supervisory Board are joining the Managers' effort by donating 25% of their 2019 compensation received in 2020 to foundations in their respective countries for the fight against Covid-19

The 2020 compensation policy for Supervisory Board members was presented to the Annual Shareholders Meeting of June 23, 2020 and was approved by a 99.75% majority of the votes cast.

Information about the members' attendance rates at meetings of the Supervisory Board and its Committees in 2020 is provided in section 3.2.2 of this 2020 Universal Registration Document.

The following table shows:

- Amounts paid in 2019 in respect of services to the Board in 2018;
- Amounts awarded for services to the Board in 2019, paid in 2020;
- Amounts paid in 2020 in respect of services to the Board in 2019;
- Amounts awarded for services to the Board in 2020, not yet paid.

Supervisory Board members	2020[1]		2019[1]	
	Amount awarded *(in €)*	Amount paid *(in €)*	Amount awarded *(in €)*	Amount paid *(in €)*
Olivier Bazil[2]	35,500	80,000	80,000	63,278
Barbara Dalibard	80,000	90,000	90,000	63,278
Jean-Pierre Duprieu	62,500	60,000	60,000	53,543
Aruna Jayanthi	70,000	70,000	70,000	63,278
Anne-Sophie de La Bigne	65,000	71,250	71,250	63,278
Patrick de La Chevardière[3]	44,500	N/A	N/A	N/A
Jean-Christophe Laourde[4]	9,000	N/A	N/A	N/A
Thierry Le Hénaff	68,330	56,727	56,727	22,488
Monique Leroux	80,000	70,000	70,000	60,357
Cyrille Poughon[5]	47,250	60,000	60,000	53,543
Michel Rollier	120,000	112,800	112,800	87,615
Delphine Roussy[4]	9,000	N/A	N/A	N/A
Jean-Michel Severino[6]	17,750	N/A	N/A	N/A
TOTAL	**708,830[7]**	**670,777[8]**	**670,777[8]**	**554,992[9]**

(1) The compensation indicated consists solely of fixed compensation for services as Supervisory Board member. No variable compensation was paid for these services and no other compensation was awarded or paid.
(2) Supervisory Board member until June 2020.
(3) Supervisory Board member since June 2020.
(4) Supervisory Board member since December 2020.
(5) Supervisory Board member until October 2020.
(6) Supervisory Board member since November 2020.
(7) The amounts awarded in respect of 2020 have been determined in application of the 2020 Supervisory Board Compensation Policy approved by the Annual Shareholders Meeting of June 23, 2020 (7th resolution adopted by a majority of 99.75% of the votes cast).
(8) The amounts paid in 2020 were awarded in respect of 2019 out of the total annual compensation of €770,000 decided by the Annual Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast). The Chairman and independent members of the Supervisory Board joined the Managers by deciding to donate 25% of their compensation to foundations in their respective countries, which are part of the fight against Covid-19.
(9) Including €24,338 paid to Pat Cox for his services as Supervisory Board member until May 2018.

3.4.2 COMPENSATION OF MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD

The Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation paid or awarded to Michel Rollier, Chairman of the Supervisory Board and sole non-executive officer pursuant to the 2020 Compensation Policy.

3.4.2.1 Compensation for serving on the Supervisory Board

In 2020, Michel Rollier received a total of €112,800 in respect of 2019. Michel Rollier joined the Managers by donating 25% of this compensation to a foundation which is part of the fight against Covid-19.

Under the 2020 Compensation Policy decided by the Supervisory Board, Michel Rollier is in line to receive €120,000 in 2021 in respect of 2020.

No variable compensation was paid or awarded to Michel Rollier during or in respect of 2020.

Information about Michel Rollier's attendance rate at meetings of the Supervisory Board and its Committees in 2020 is provided in section 3.2.2 of this 2020 Universal Registration Document.

3.4.2.2 Other compensation

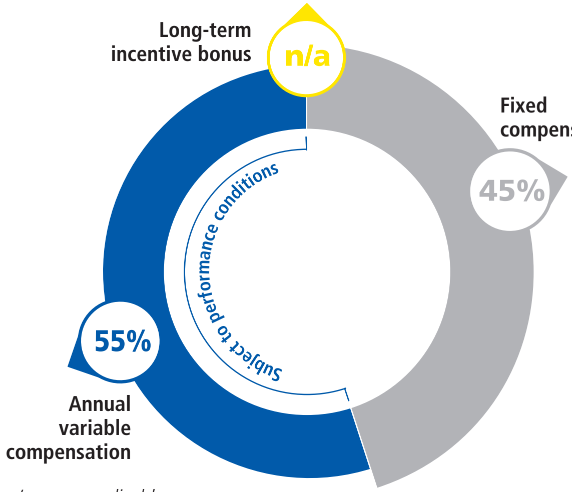
No other compensation was paid or awarded to Michel Rollier during or in respect of 2020.

3.4.3 COMPENSATION PACKAGE OF FLORENT MENEGAUX, MANAGING CHAIRMAN AND MANAGING GENERAL PARTNER

In his capacity as General Partner of CGEM[(1)], Florent Menegaux has unlimited joint and personal liability for CGEM's debts. As consideration for this liability, the General Partners each receive a portion of the Company's profits[(2)] as provided for in the Bylaws. This means that their interests are fully aligned with those of the shareholders, as they are paid this consideration only if the Company makes a profit. This means that their interests are fully aligned with those of the shareholders, as they are paid this consideration only if the Company makes a profit.

The Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation paid to Florent Menegaux in 2020 or awarded to him in respect of 2020 in his capacity as General Manager, pursuant to the 2020 Compensation Policy. This policy is described in the Corporate Governance Report reproduced in the 2019 Universal Registration Document[(3)] and was presented to the Annual Shareholders Meeting of June 23, 2020 by the Chair of the Compensation and Appointments Committee (the "2020 Compensation Policy")[(4)].

COMPENSATION PAID TO FLORENT MENEGAUX DURING FISCAL YEAR 2020



n/a : non applicable

3.4.3.1 Fixed compensation

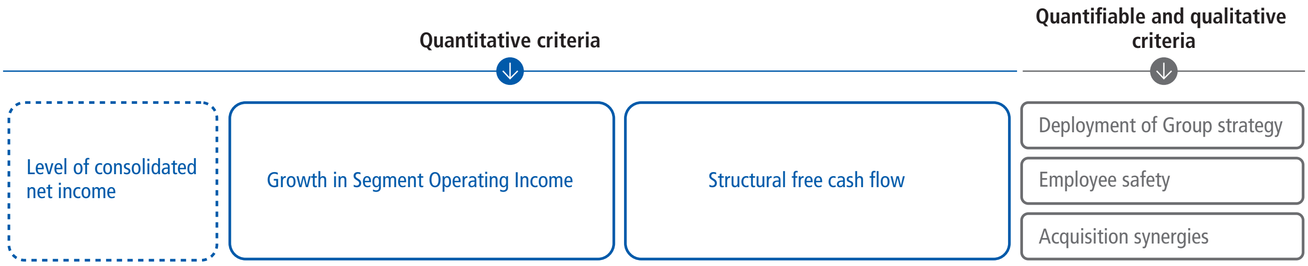
In application of the 2020 Compensation Policy, Florent Menegaux's fixed compensation, unchanged since his election by the Annual Shareholders Meeting of May 18, 2018, was reduced by 25% during the approximately three months in 2020 when employees in France were furloughed. The fixed compensation received by Florent Menegaux therefore amounted to €843,750[(5)].

3.4.3.2 Annual variable compensation

This annual variable compensation has been determined in application of the 2020 Compensation Policy and is deducted in full from the Profit Share of €3,752,651.21 [(6)] [(7)] due to the General Partners for 2020.

ANNUAL VARIABLE COMPENSATION

The breakdown of the relative weighting of each of the criteria (excluding consolidated net income) corresponds to the maximum achievement of all the objectives and not to the 2020 results.



(1) At December 31, 2020, the Company had two General Partners: Florent Menegaux, Managing Chairman, and SAGES, Non-Managing General Partner (see section 3.1.2 of this 2020 Universal Registration Document).
(2) See Article 30 of the Bylaws, reproduced in section 3.10.5 below.
(3) See sections 3.4.1 and 3.4.2 of the 2019 Universal Registration Document.
(4) See the information/presentations on the June 23, 2020 Annual Shareholders Meeting on the Company's website www.michelin.com.
(5) Compensation paid by Manufacture Française des Pneumatiques Michelin (MFPM) in consideration of his role as General Manager of the Company.
(6) See the 2nd resolution presented to the Annual Shareholders Meeting of May 21, 2021.
(7) The Profit Share is fixed in the Company's Bylaws at 12% of the Company's net income for the year, with a cap of 0.6% of consolidated net income (see section 3.10.5 of this 2020 Universal Registration Document).

The achievement rates for the criteria that determine the amounts due in respect of annual variable compensation are as follows:

Quantitative criteria	Sector Operating Income *(SOI, based on 2019 exchange rates and consolidation scope)*	Annual structural free cash flow	Level of consolidated net income
Indicator	Amount	Amount	Amount
Target	Threshold: €2,800m Target: €2,950m Ceiling: €3,100m	Threshold: €1,500m Target: €1,600m Ceiling: €1,700m	4%
Indicator: 2020 Actual	€1,997m	€2,010m	€625m
Maximum value *(% of the Profit Share)*[1]	8%	8%	4%
Achievement rate	0%	8%	4%

(1) The maximum value, if the SOI and free cash flow targets are met, is capped at 16% of the Profit Share.

Quantifiable qualitative criteria	Deployment of the strategy	CSR/TCIR[1]	Acquisition synergies[2]
Maximum value *(% of the Profit Share)*	2%	1%	1%
Achievement rate	2%	1%	0.49%

(1) Total Case Incident Rate.
(2) Scope: Camso, Fenner, Multistrada (based on 2019 exchange rates)

Overall achievement rate	15.49%/20%[1]
Amount awarded *(in €)*	581,161
As a % of the reference fixed compensation	64.57%

(1) Florent Menegaux would be awarded the maximum 20% of the Consolidated Calculation Base for this component only if all the objectives were achieved in full.

All quantitative and qualitative objectives were set at the start of 2020, prior to the onset of the health crisis and before the economic implications became clear. These objectives were not subsequently amended.

The Compensation and Appointments Committee carefully reviewed achievement rates for each of the quantitative and qualitative criteria. Concerning the quantifiable qualitative criteria, the Committee's conclusions were as follows:

- For the "Deployment of the strategy" criterion, the Committee noted that the objectives had been met, as follows:
  - the overall strategy had been formally described and deployed, including the Strategic Statement, Balanced Score Card, transformations mapping and management methods,
  - certain major transformation programs were launched in 2020,
  - medium-term financial models had been developed;
- for the Corporate Social Responsibility criterion (Total Case Incident Rate, measuring improvements to the safety of Michelin Group employees), the Committee noted that the objective had been met, with the TCIR at 1.19;
- for the criterion concerning implementation of the synergies created by the integration of Camso, Fenner and Multistrada, the Committee noted that total synergistic benefits of €80.6 million had been obtained in 2020, an increase of €54 million versus 2019 synergies.

In conclusion of its analysis, the Committee recommended to the Supervisory Board that cumulative actual performance in relation to these quantifiable qualitative criteria should be rated as 15.49% versus a maximum of 20%. Given the Calculation Base of €3,752,651.21, Florent Menegaux's annual variable compensation for 2020 amounts to €581,161.

After discussing the matter during its meeting on February 12, 2021, the Supervisory Board approved the Compensation and Appointments Committee's recommendations, which were then also approved by the General Partners.

3.4.3.3 Long-term variable compensation granted in 2020: performance share rights

LONG-TERM VARIABLE COMPENSATION

The breakdown of the relative weighting of each of the criteria corresponds to the maximum achievement of all the objectives and not to the 2020 results.

Quantitative criteria

- Growth in the Michelin share price compared with that of the Stoxx Europe 600 index
- Growth in revenue (excluding tires and distribution)
- Return on capital employed (ROCE)
- Michelin Environmental Footprint ("MEF")
- Change in the Employee Engagement Rate

On November 13, 2020, 12,012 performance share rights were awarded to Florent Menegaux. The book value of these rights was €673,051.63 (based on IFRS 2) and the rights represented less than 0.0068% of the total Michelin shares outstanding at December 31, 2020.

This award was made in application of the 2020 Compensation Policy, pursuant to the proposal made by the General Partners and after the Supervisory Board had determined the vesting terms and conditions applicable to the total award.

The structure of the performance share plans for employees of Group companies and for the Company's Managers is described in detail in the presentation of the 25th resolution submitted to the Annual Shareholders Meeting of June 23, 2020 (pages 395 *et seq.* of the 2019 Universal Registration Document), which was adopted by a majority of 97.02% of the votes cast.

In application of the 2020 Compensation Policy, the award is subject to the following specific rules:

- the Managers are required to hold 40% of the vested shares for as long as they remain in office;
- each annual award is limited to 100% of the Manager's fixed annual compensation for that year;
- in addition, for the period of validity of the above-mentioned 25th resolution (38 months), performance share rights awarded to the Managers may not exceed the equivalent of 0.05% of the Company's capital; this is a specific sub-cap applicable to the Managers within the overall cap of 0.9% applicable to all recipients of share rights provided for in the 25th resolution;
- concerning Florent Menegaux, Managing Chairman and General Partner, the vested performance shares would be delivered to him only if Profit Share was distributed in respect of the year preceding the one in which the shares are issued.

In accordance with AFEP/MEDEF Code recommendation No. 25.3.3, the equity risk on the performance shares has not been hedged by Florent Menegaux and will not be hedged at any time during the holding period.

The performance criteria are presented below.

These criteria and the related objectives applicable to the Managers were not adjusted despite the exceptional economic consequences of the Covid-19 crisis on the business in 2020.

First criterion (financial performance): growth in the Michelin share price

This criterion concerns Michelin's share performance compared with that of the Stoxx Europe 600 index.

The Stoxx Europe 600 index has been chosen due to the breakdown of the Group's operations between various business segments (Automotive, Road Transportation, Specialties, High-Tech Materials). This criterion would have a 30% weighting.

It would be assessed by comparing the annual average share price for the year preceding the reference three-year period and the same average for the last year of the three-year period.

If the gain in Michelin's share price was at least 15 points more than the gain in the Stoxx Europe 600 index, the achievement rate would be 100% and the maximum 30% of the free shares would vest.

If the gain in Michelin's share price was less than 15 points more than the gain in the Stoxx Europe 600 index, the result would be: 30% x (gain in the Michelin share price - gain in the Stoxx Europe 600 index)/15.

If the gain in Michelin's share price was less than the gain in the Stoxx Europe 600, the achievement rate would be 0% and none of the related free shares would vest.

Second criterion (corporate social responsibility): improvements in the environmental performance of manufacturing operations and employee engagement rates

This criterion is based on two indicators: the environmental footprint of Michelin's manufacturing operations and the level of employee engagement.

As each of these indicators would have a 15% weighting, the criterion's total weighting would be 30%.

Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled. The Group's goal for 2020 is to reduce the MEF by 50% compared with 2005.

The final revenue indicator would have a weighting of 15% and would be taken into account as follows:

- if the average annual change in the MEF over three years was greater than -0.5 pts, the achievement rate would be 0% and none of the free shares for this objective would vest;
- if the average annual change in the MEF over three years was between -0.5 pts and -1.5 pts, free shares for this objective would vest proportionately to the achievement rate;
- if the average annual change in the MEF over three years was less than -1.5 pts, the maximum 15% of the free shares for this objective would vest.

This indicator would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched.

The second indicator – employee engagement – is measured each year during the "Moving Forward Together: Your Voice for Action" survey.

The final revenue indicator would have a weighting of 15% and would be taken into account as follows:

- if the average engagement rate improved by less than 0.1 pts, the achievement rate would be 0% and none of the related free shares would vest;
- if the average engagement rate improved by between 0.1 pts and 1.5 pts, the free shares for this objective would vest proportionately to the achievement rate;
- if the average engagement rate improved by more than 1.5 pts, the maximum 15% of the free shares for this objective would vest.

This indicator would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched.

Third criterion (operating performance): growth in revenue (excluding tires and distribution) and return on capital employed (ROCE)

This criterion is based on two indicators: revenue growth excluding tires and distribution, and total consolidated ROCE (including acquisitions and companies accounted for by the equity method).

The growth in the new business revenue indicator (like-for-like growth excluding tires and distribution) measures the Group's ability to grow its new businesses (as opposed to its historical core business). The final revenue indicator would have a weighting of 20% and would be taken into account as follows:

- if average annual new business revenue growth exceeded 8%, the achievement rate would be 100% and the maximum 20% of the maximum potential free shares would vest;
- if average annual new business revenue growth was between 3% and 8%, the free shares for this criterion would vest proportionately to the achievement rate;
- if average annual new business revenue growth was less than 3%, the achievement rate would be 0% and none of the related free shares would vest.

This criterion would be assessed as the average for a rolling three-year period starting from the year in which the plan[1] was launched.

Total consolidated ROCE (including acquisitions, related goodwill, and companies accounted for by the equity method) for the last year of the three-year period ("final ROCE") measures the robustness of the Group's performance. The final revenue indicator would have a weighting of 20% and would be taken into account as follows:

- if the final ROCE exceeded 11%, the achievement rate would be 100% and the maximum 20% of the potential free shares would vest;
- if the final ROCE was between 10% and 11%, the free shares for this criterion would vest proportionately to the achievement rate;
- if the final ROCE was less than 10%, the achievement rate would be 0% and none of the related free shares would vest.

The interim fulfillment rates are presented in section 6.5.4 c) of the 2020 Universal Registration Document, in the table entitled "Interim fulfillment of performance conditions under the November 13, 2020 performance share plan for the Managers".

3.4.3.4 Fringe benefits, stock options and directors' or Supervisory Board members' compensation

In line with the 2020 Compensation Policy, in 2020 Florent Menegaux did not receive (i) any compensation in his capacity as a member of the Board of Directors or Supervisory Board of the Company or any controlled entities, (ii) any benefits other than those listed above, or (iii) any stock options of the Company or any controlled entities.

Mr. Menegaux has a fringe benefit in the form of a Company car (see the table in section 3.6.2).

3.4.3.5 Pension benefits

There is no specific supplementary pension plan set up for the Managers or the Chairman of the Supervisory Board.

In his capacity as General Manager of the subsidiary MFPM, Mr. Menegaux participates in the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan).

As required by Article D. 225-29-3 of the French Commercial Code, this plan, governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code, is described below:

- as of their retirement date, participants must have served for at least five years as a senior executive to be eligible for benefits;
- 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement). In accordance with the government order dated July 3, 2019, no rights have vested since December 31, 2019;
- the replacement rate including benefit entitlements under compulsory plans is capped at 35%;
- an evaluation is carried out in accordance with Group accounting policies;
- benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code;
- 70% of the prior year's benefit obligation is funded through a contribution to an insured plan.

Mr. Menegaux's reference compensation for 2020 was made up solely of the annual fixed compensation paid by MFPM.

Based on the assumptions in Article D. 225-29-3 of the French Commercial Code introduced by Decree No. 2019-1235, the estimated gross annual pension payable to Mr. Menegaux under this plan amounts to €135,000.

The benefit represented by the Company's contributions to the plan is taxed at the rate of 24%. The actual gross replacement rate represented by pension benefits paid under the plan will be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

As Managing General Partner, Mr. Menegaux participates in the "Article 83" mandatory pension plan in the same way as all employees of CGEM and MFPM.

3.4.3.6 Compensation for loss of office

No compensation for loss of office was paid to Mr. Menegaux in 2020[2].

3.4.3.7 Non-compete indemnity

No non-compete indemnity was paid to Mr. Menegaux in 2020[2].

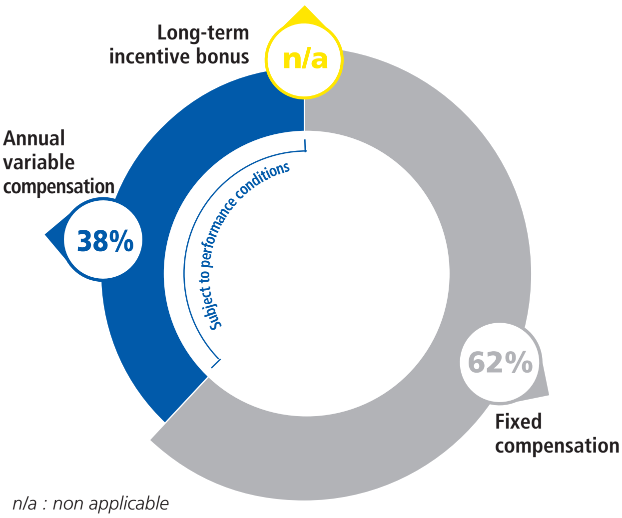
(1) Due to the exceptional economic consequences of the Covid-19 crisis for the business in 2020, the effect of this indicator was neutralized in 2020 for employees, so that the criterion reflects the actual market situation post-Covid-19 and in order to continue to motivate the teams.

(2) See detailed disclosures in section 3.7.1.12 of this 2020 Universal Registration Document.

3.4.4 COMPENSATION PACKAGE OF YVES CHAPOT, GENERAL MANAGER

The Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation paid to Yves Chapot in 2020 or awarded to him in respect of 2020 in his capacity as General Manager, pursuant to the 2019 Compensation Policy. This policy is described in the Corporate Governance Report reproduced in the 2019 Universal Registration Document[(1)] and was presented to the Annual Shareholders Meeting of June 23, 2020 by the Chair of the Compensation and Appointments Committee (the "2020 Compensation Policy")[(2)].

COMPENSATION PAID TO YVES CHAPOT DURING FISCAL YEAR 2020



n/a : non applicable

3.4.4.1 Fixed compensation

In application of the 2020 Compensation Policy, Yves Chapot's fixed compensation, unchanged since his election by the Annual Shareholders Meeting of May 18, 2018, was reduced by 25% during the approximately three months in 2020 when employees in France were furloughed. The fixed compensation received by Yves Chapot therefore amounted to €562,500.

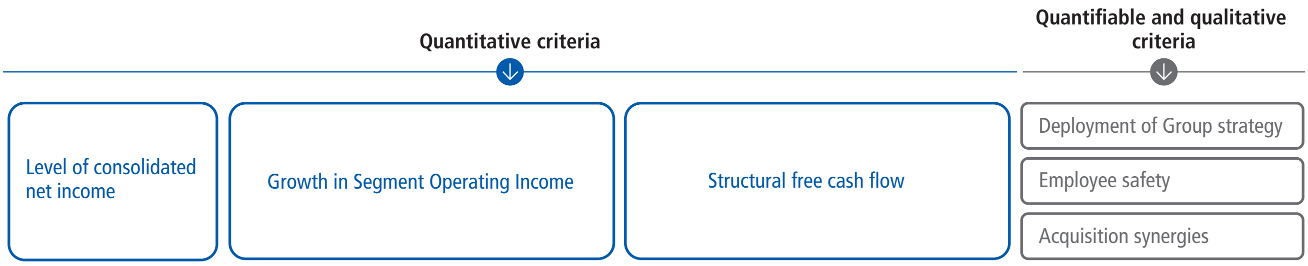
3.4.4.2 Annual variable compensation

In application of the 2020 Compensation Policy and as recommended by the Supervisory Board, the General Partners have set Yves Chapot's annual variable compensation based on 150% of his fixed compensation for 2019 as General Manager (the "Calculation Base") and six performance criteria. Three of these are qualitative criteria accounting for 80/100 and three are quantifiable qualitative criteria accounting for 20/100.

Mr. Chapot will be awarded the maximum amount if the cumulative achievement rate for the six criteria is 100 out of 100.

ANNUAL VARIABLE COMPENSATION

The breakdown of the relative weighting of each of the criteria corresponds to the maximum achievement of all the objectives and not to the 2020 results.



(1) See sections 3.4.1 and 3.4.2 of the 2019 Universal Registration Document.
(2) See the information/presentations on the June 23, 2020 Annual Shareholders Meeting on the Company's website www.michelin.com.

The achievement rates for the criteria that determine the amounts due in respect of annual variable compensation are as follows:

Quantitative criteria	Sector Operating Income *(SOI, based on 2019 exchange rates and consolidation scope)*	Annual structural free cash flow	Level of consolidated net income
Indicator	Amount	Amount	Amount
Target	Threshold: €2,800m Target: €2,950m Ceiling: €3,100m	Threshold: €1,500m Target: €1,600m Ceiling: €1,700m	Threshold: €1,630m Target: €1,730m Ceiling: €1,830m
Indicator: 2020 Actual	€1,997m	€2,010m	€625m
Maximum value[1]	40	40	20
Achievement rate	0	40	0

(1) If all the objectives were achieved in full, the result would however be limited to 80.

Quantifiable qualitative criteria	Deployment of the strategy	CSR/TCIR[1]	Acquisition synergies[2]
Maximum value *(out of 20)*	10	5	5
Achievement rate	10	5	2.4

(1) Total Case incident Rate.
(2) Scope: Camso, Fenner, Multistrada (based on 2019 exchange rates)

Overall achievement rate	57.43/100[1]
Amount awarded based on quantifiable qualitative criteria (in €)	516,900
As a % of the reference fixed compensation	86.15%

(1) Mr. Chapot will be awarded the maximum amount if the cumulative achievement rate for the six criteria is 100 out of 100.

All quantitative and qualitative objectives were set at the start of 2020, prior to the onset of the health crisis and before the economic implications became clear. These objectives were not subsequently amended.

The Compensation and Appointments Committee carefully reviewed achievement rates for each of the quantitative and qualitative criteria.

Concerning the quantifiable qualitative criteria, the Committee's conclusions were as follows:

- For the "Deployment of the strategy" criterion, the Committee noted that the objectives had been met, as follows:
  - the overall strategy had been formally described and deployed, including the Strategic Statement, Balanced Score Card, transformations mapping and management methods,
  - certain major transformation programs were launched in 2020,
  - medium-term financial models had been developed;
- For the Corporate Social Responsibility criterion (Total Case Incident Rate, measuring improvements to the safety of Michelin Group employees), the Committee noted that the objective had been met, with the TCIR at 1.19;
- For the criterion concerning implementation of the synergies created by the integration of Camso, Fenner and Multistrada, the Committee noted that total synergistic benefits of €80.6 million had been obtained in 2020, an increase of €54 million versus 2019 synergies.

In conclusion of its analysis, the Committee recommended to the Supervisory Board that cumulative actual performance in relation to these quantifiable qualitative criteria should be rated as 57.43/100. Given the Calculation Base, Yves Chapot's annual variable compensation for 2020 amounts to €516,900.

After discussing the matter during its meeting on February 12, 2021, the Supervisory Board approved the Compensation and Appointments Committee's recommendation, which were then also approved by the General Partners.

3.4.4.3 Long-term variable compensation granted in 2020: performance share rights

ANNUAL VARIABLE COMPENSATION

The breakdown of the relative weighting of each of the criteria corresponds to the maximum achievement of all the objectives and not to the 2019 results.

Quantitative criteria

- Growth in the Michelin share price compared with that of the Stoxx Europe 600 index
- Growth in revenue (excluding tires and distribution)
- Return on capital employed (ROCE)
- Michelin Environmental Footprint ("MEF")
- Change in the Employee Engagement Rate

On November 13, 2020, 8,008 performance share rights were awarded to Yves Chapot. The book value of these rights was €448,701.09 (based on IFRS 2) and the rights represented less than 0.0045% of the total Michelin shares outstanding at December 31, 2020.

This award was made in application of the 2020 Compensation Policy, pursuant to the proposal made by the General Partners and after the Supervisory Board had determined the vesting terms and conditions applicable to the total award.

The structure of the performance share plans for employees of Group companies and for the Company's Managers is described in detail in the presentation of the 25th resolution submitted to the Annual Shareholders Meeting of June 23, 2020 (pages 395 *et seq.* of the 2019 Universal Registration Document), which was adopted by a majority of 97.02% of the votes cast.

In application of the 2020 Compensation Policy, the award is subject to the following specific rules:

- the Managers are required to hold 40% of the vested shares for as long as they remain in office;
- each annual award is limited to 100% of the Manager's fixed annual compensation for that year;
- in addition, for the period of validity of the above-mentioned 25th resolution (38 months), performance share rights awarded to the Managers may not exceed the equivalent of 0.05% of the Company's capital; this is a specific sub-cap applicable to the Managers within the overall cap of 0.9% applicable to all recipients of share rights provided for in said resolution.

In accordance with AFEP/MEDEF Code recommendation No. 25.3.3, the equity risk on the performance shares has not been hedged by Yves Chapot and will not be hedged at any time during the holding period.

The performance criteria are presented below.

These criteria and the related objectives applicable to the Managers were not adjusted despite the exceptional economic consequences of the Covid-19 crisis on the business in 2020.

First criterion (financial performance): growth in the Michelin share price

This criterion concerns Michelin's share performance compared with that of the Stoxx Europe 600 index.

The Stoxx Europe 600 index has been chosen due to the breakdown of the Group's operations between various business segments (Automotive, Road Transportation, Specialties, High-Tech Materials). This criterion would have a 30% weighting.

It would be assessed by comparing the annual average share price for the year preceding the reference three-year period and the same average for the last year of the three-year period.

If the gain in Michelin's share price was at least 15 points more than the gain in the Stoxx Europe 600 index, the achievement rate would be 100% and the maximum 30% of the free shares would vest.

If the gain in Michelin's share price was less than 15 points more than the gain in the Stoxx Europe 600 index, the result would be: 30% x (gain in the Michelin share price – gain in the Stoxx Europe 600 index)/15.

If the gain in Michelin's share price was less than the gain in the Stoxx Europe 600 index, the achievement rate would be 0% and none of the related free shares would vest.

Second criterion (corporate social responsibility): improvements in the environmental performance of manufacturing operations and employee engagement rates

This criterion is based on two indicators: the environmental footprint of Michelin's manufacturing operations and the level of employee engagement.

As each of these indicators would have a 15% weighting, the criterion's total weighting would be 30%.

Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled. The Group's goal for 2020 is to reduce the MEF by 50% compared with 2005.

The final revenue indicator would have a weighting of 15% and would be taken into account as follows:

- if the average annual change in the MEF over three years was greater than -0.5 pts, the achievement rate would be 0% and none of the free shares for this objective would vest;
- if the average annual change in the MEF over three years was between -0.5 pts and -1.5 pts, free shares for this objective would vest proportionately to the achievement rate;
- if the average annual change in the MEF over three years was less than -1.5 pts, the maximum 15% of the free shares for this objective would vest.

This indicator would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched.

The second indicator – employee engagement – is measured each year during the "Moving Forward Together: Your Voice for Action" survey.

The final revenue indicator would have a weighting of 15% and would be taken into account as follows:

- if the average engagement rate improved by less than 0.1 pts, the achievement rate would be 0% and none of the related free shares would vest;
- if the average engagement rate improved by between 0.1 pts and 1.5 pts, the free shares for this objective would vest proportionately to the achievement rate;
- if the average engagement rate improved by more than 1.5 pts, the maximum 15% of the free shares for this objective would vest.

This indicator would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched.

Third criterion (operating performance): growth in revenue (excluding tires and distribution) and return on capital employed (ROCE)

This criterion is based on two indicators: revenue growth excluding tires and distribution, and total consolidated ROCE (including acquisitions and companies accounted for by the equity method).

The growth in the new business revenue indicator (like-for-like growth excluding tires and distribution) measures the Group's ability to grow its new businesses (as opposed to its historical core business). The final revenue indicator would have a weighting of 20% and would be taken into account as follows:

- if average annual new business revenue growth exceeded 8%, the achievement rate would be 100% and the maximum 20% of the maximum potential free shares would vest;
- if average annual new business revenue growth was between 3% and 8%, the free shares for this criterion would vest proportionately to the achievement rate;
- if average annual new business revenue growth was less than 3%, the achievement rate would be 0% and none of the related free shares would vest.

This criterion would be assessed as the average for a rolling three-year period starting from the year in which the plan was launched[(1)].

Total consolidated ROCE (including acquisitions, related goodwill, and companies accounted for by the equity method) for the last year of the three-year period ("final ROCE") measures the robustness of the Group's performance. The final revenue indicator would have a weighting of 20% and would be taken into account as follows:

- if the final ROCE exceeded 11%, the achievement rate would be 100% and the maximum 20% of the potential free shares would vest;
- if the final ROCE was between 10% and 11%, the free shares for this criterion would vest proportionately to the achievement rate;
- if the final ROCE was less than 10%, the achievement rate would be 0% and none of the related free shares would vest.

The interim fulfillment rates are presented in section 6.5.4 c) of the 2020 Universal Registration Document, in the table entitled "Interim fulfillment of performance conditions under the November 13, 2020 performance share plan for the Managers".

3.4.4.4 Fringe benefits, stock options and directors' or Supervisory Board members' compensation

In line with the 2020 Compensation Policy, in 2020 Yves Chapot did not receive (i) any compensation in his capacity as a member of the Supervisory Board of the Company or any controlled entities, (ii) any benefits other than those listed above, or (iii) any stock options of the Company or any controlled entities.

Mr. Chapot has a fringe benefit in the form of a Company car (see the table in section 3.5.3).

3.4.4.5 Pension benefits

There is no specific supplementary pension plan set up for the Managers or the Chairman of the Supervisory Board.

In his capacity as General Manager of CGEM, Yves Chapot participates in the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan).

As required by Article D. 225-29-3 of the French Commercial Code, this plan, governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code, is described below:

- as of their retirement date, participants must have served for at least five years as a senior executive to be eligible for benefits;
- 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement). In accordance with the government order dated July 3, 2019, no rights have vested since December 31, 2019;
- the replacement rate including benefit entitlements under compulsory plans is capped at 35%;
- an evaluation is carried out in accordance with Group accounting policies;
- benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code;
- 70% of the prior year's benefit obligation is funded through a contribution to an insured plan.

Mr. Chapot's reference compensation for 2020 in his capacity as executive officer was made up of his annual fixed compensation and his annual variable compensation.

Based on the assumptions in Article D. 225-29-3 of the French Commercial Code introduced by Decree No. 2019-1235, the estimated gross annual pension payable to Mr. Chapot under this plan amounts to €135,420.

The benefit represented by the Company's contributions to the plan is taxed at the rate of 24%. The actual gross replacement rate represented by pension benefits paid under the plan will be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

As Managing General Partner, Mr. Chapot participates in the "Article 83" mandatory pension plan in the same way as all employees of CGEM and MFPM.

3.4.4.6 Compensation for loss of office

No compensation for loss of office was paid to Mr. Chapot in 2020[(2)].

3.4.4.7 Non-compete indemnity

No non-compete indemnity was paid to Mr. Chapot in 2020[(2)].

(1) *Due to the exceptional economic consequences of the Covid-19 crisis for the business in 2020, the effect of this indicator was neutralized in 2020 for employees, so that the criterion reflects the actual market situation post-Covid-19 and in order to continue to motivate the teams. No changes were made to the objectives applicable to the Managers.*

(2) *See detailed disclosures in section 3.7.1.13 of the 2019 Universal Registration Document.*

3.4.5 COMPENSATION RATIOS OF THE MANAGERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD

Background

The changes in management structure described below have affected the calculation of management compensation ratios:

- Florent Menegaux has been Managing General Partner since May 2018 and Managing Chairman since May 2019;
- Yves Chapot has been General Manager since May 2018;
- Michel Rollier has been Chairman of the Supervisory Board throughout the reporting period;
- Jean-Dominique Senard was Managing Chairman and General Partner during the reporting period, until May 2019.

Unlike the corporate officers of joint stock corporations, a Managing General Partner of the Company (which is organized as a partnership limited by shares), who may also be the Managing Chairman, has unlimited personal liability for the Company's debts in the event that the Company is unable to honor its commitments, and he can only be relieved of this liability by decision of the Extraordinary Shareholders Meeting. This exceptional liability justifies the payment of additional compensation.

The Company has very few employees (less than five, none of whom are executive directors), and none in the first half of 2020. The ratios of the Managers' pay and of the Supervisory Board Chairman's pay to that of the Company's employees are therefore not meaningful.

Accordingly, the Company has nonetheless chosen to disclose these ratios for its main French subsidiary, Manufacture Française des Pneumatiques Michelin, which employed over 90% of the Michelin Group's total workforce in France at December 31, 2020.

This subsidiary is engaged in manufacturing, sales, and research and development activities and also hosts the Michelin Group's corporate departments.

The calculation method and scope is the same as for the disclosures in the 2019 report, apart from the adjustments needed to adapt the table to the format in the new AFEP "Guidelines concerning compensation multiples" dated February 2021.

The two performance indicators selected at the level of the Michelin Group are the Total Sales and the Segment Operating Income ("SOI") excluding changes in exchange rates, which measures the performance of the Group's operating segments.

The ratios presented below have been calculated in such a way as to disclose information related to the function, in order to guarantee, as far as possible, the relevance and consistency of comparative information across the entire reporting period. They are based on the fixed and variable compensation paid during the years indicated to employees who were present throughout the year, as well as on the performance shares awarded in those years, measured at fair value.

RATIOS PRESENTED IN APPLICATION OF ARTICLE L.22-10-9-I, PARAGRAPHS 6 AND 7, OF THE FRENCH COMMERCIAL CODE

	2020	2019	2018	2017	2016
PERCENTAGE CHANGE IN THE COMPENSATION OF THE CHAIRMAN OF THE SUPERVISORY BOARD[(1)]	**28.7%**	**-2.7%**	**0.0%**	**32.4%**	**-**
Percentage change in the average compensation of employees	2.9%	2.9%	1.6%	4.6%	-
Ratio versus average employee compensation	**2.1**	1.7	1.8	1.8	1.4
Percentage change in the ratio versus the previous year	26.5%	-5.1%	-1.7%	26.2%	-
Ratio versus median employee compensation	**2.7**	2.1	2.3	2.3	1.8
Percentage change in the ratio versus the previous year	26.8%	-5.3%	-2.6%	27.6%	-
PERCENTAGE CHANGE IN THE MANAGING CHAIRMAN'S COMPENSATION[(2)(3)(4)(5)]	**-37.6%**	**8.1%**	**15.0%**	**38.5%**	**-**
Percentage change in the average compensation of employees	2.9%	2.9%	1.6%	4.6%	-
Ratio versus average employee compensation	**47,1**	77.6	73.8	65.3	49.3
Percentage change in the ratio versus the previous year	-39.3%	5.1%	13.2%	32.4%	-
Ratio versus median employee compensation	**61.0**	99.8	94.8	84.7	63.4
Percentage change in the ratio versus the previous year	-38.9%	5.3%	12.0%	33.6%	-
PERCENTAGE CHANGE IN THE GENERAL MANAGER'S COMPENSATION[(3)(4)(5)]	**33.0%**	**69.6%**	**-**	**-**	**-**
Percentage change in the average compensation of employees	2.9%	2.9%	1.6%	4.6%	-
Ratio versus average employee compensation	**25.1**	19.5	11.8	-	-
Percentage change in the ratio versus the previous year	29.0%	64.8%	-	-	-
Ratio versus median employee compensation	**32.6**	25.0	15.2	-	-
Percentage change in the ratio versus the previous year	30.2%	65.2%	-	-	-
COMPANY PERFORMANCE[(6)]					
Growth in segment operating income (SOI) (excluding currency effect)	6.5%	11.0%	5.6%	9.5%	-
Growth in sales (excluding currency effect)	7.8%	4.1%	6.2%	0.4%	-

(1) The year-on-year change in the ratio is attributable to the decision to increase the total compensation payable to Supervisory Board members to €770,000, approved at the Annual Shareholders Meeting of May 17, 2019.

(2) Only information relating to the position of Managing Chairman and General Partner is presented given that the specific role of Managing General Partner was exercised over a limited period. Jean-Dominique Senard stepped down from his executive position in May 2019 and the compensation attributed in respect of his duties as Managing Chairman and General Partner is therefore not taken into account in 2020.

(3) The compensation paid to Managers for functions held during only part of the year (new Manager or Manager who was not replaced) has been annualized.

(4) Deferred long-term compensation paid to Managers who no longer held the positions concerned during the reporting period has not been taken into account.

(5) The reference amount for variable compensation granted in respect of 2020 includes the book value of performance share rights awarded to the Managers for the first time in 2020.

(6) To permit meaningful comparisons with the compensation paid in a given year, which depends to a significant extent on the prior year's results, the values taken into police.

3.4.6 PROPOSED RESOLUTION ON THE DISCLOSURES MENTIONED IN ARTICLE 22-10-9 OF THE FRENCH COMMERCIAL CODE

Since 2014, the General Partners and the Supervisory Board have submitted to the Annual Shareholders Meeting several proposed ordinary resolutions concerning the compensation paid or awarded to the Managers and the Chairman of the Supervisory Board.

In addition, since 2018, the Supervisory Board prepares each year, with the General Partners for the part concerning the Managers, the Compensation Policy applicable to the Managers and the Chairman of the Supervisory Board. This policy is included in the Supervisory Board's report on corporate governance.

The policy and the components of the compensation packages for 2020 will be presented to the upcoming Annual Shareholders Meeting by the Chair of the Compensation and Appointments Committee.

In the same way as in 2020, in application of French Act No. 2019-486 dated May 22, 2019 (the "PACTE Act") and other legal and regulatory provisions, at the Annual Shareholders Meeting, the General Partners and the Supervisory Board will ask shareholders to approve the disclosures concerning the compensation paid in 2020 or awarded in respect of that year to the Managers and the Supervisory Board.

The resolution to be presented to the Annual Shareholders Meeting of May 21, 2021 concerning all the disclosures contained in sections 3.4.1 to 3.4.5, is set out below.

8th resolution

Approval of the disclosures concerning the corporate officers' compensation packages

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-77-I of the French Commercial Code, approves the disclosures mentioned in Article L. 22-10-9 of the Code, as presented in the Corporate Governance Report set out in sections 3.4.1 to 3.4.5 of the Company's 2020 Universal Registration Document.

3.5 INDIVIDUAL COMPENSATION PAID OR AWARDED TO THE MANAGERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD FOR 2020

In addition to the resolution presented in section 3.4.6 above, the Annual Shareholders Meeting will be asked to adopt the following individual resolutions concerning the Chairman of the Supervisory Board and each of the Managers.

3.5.1 VOTE BY SHAREHOLDERS AT THE ANNUAL MEETING OF MAY 21, 2021 ON THE COMPENSATION PACKAGE OF MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD

This section presents the components of the compensation paid or awarded to Michel Rollier for 2020 in his capacity as Chairman of the Supervisory Board during the year. Michel Rollier joined the Managers by deciding to donate 25% of his 2019 compensation received in 2020 to a foundation which is part of the fight against Covid-19.

Compensation components put to the vote	Amounts paid in 2020:	Amounts awarded in respect of 2020:	Presentation
Compensation as Supervisory Board member	€112,800.00	€120,000.00	**The amount paid in 2020:** ▶ was awarded in respect of 2019 out of the total annual compensation allocated to the Supervisory Board by the Annual Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast); ▶ was approved by the Annual Shareholders Meeting of June 23, 2020 (12th resolution adopted by a majority of 99.90% of the votes cast). **The amount awarded in respect of 2020:** ▶ is included in the total annual amount decided by the Annual Shareholders Meeting of May 17, 2019; ▶ has been determined in accordance with the 2020 Compensation Policy for the members of the Supervisory Board, as described in the 2019 Universal Registration Document (section 3.4.3) and approved by the Annual Shareholders Meeting of June 23, 2020 (7th resolution, adopted by a 99.75% majority of the votes cast).
Annual variable compensation	N/A	N/A	N/A
Deferred variable compensation	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	N/A	N/A
Fringe benefits	N/A	N/A	N/A
Compensation for loss of office	N/A	N/A	N/A
Non-compete indemnity	N/A	N/A	N/A
Supplementary pension benefits	N/A	N/A	N/A

N/A: Not applicable.

At the Annual Meeting of May 21, 2021, shareholders will be asked to approve the following ordinary resolution:

12th resolution

Approval of the components of the compensation paid or awarded to Michel Rollier for the year ended December 31, 2020

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-77 II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2020 or awarded in respect of that year to Michel Rollier, Chairman of the Supervisory Board, as presented in the Corporate Governance Report set out in section 3.5.1 of the Company's 2020 Universal Registration Document.

3.5.2 VOTE BY SHAREHOLDERS AT THE ANNUAL MEETING OF JUNE 23, 2020 ON THE COMPENSATION PACKAGE OF FLORENT MENEGAUX, MANAGING CHAIRMAN AND GENERAL PARTNER

This section presents the components of the compensation paid or awarded to Florent Menegaux for 2020 in his capacity as Managing Chairman.

Compensation components put to the vote	Amounts paid in 2020:	Amounts awarded in respect of 2020 OR Provision set aside in 2020 OR Simulation	Presentation
Fixed compensation	€843,750.00	€900,000.00	The amount awarded in 2020: ▶ has been unchanged since Mr. Menegaux was elected by the Annual Shareholders Meeting of May 18, 2018; the amount paid was reduced by 25% during the approximately three months in 2020 when employees in France were furloughed due to Covid-19. ▶ was determined in accordance with the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.3) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast).
Annual variable compensation	€1,038,759.43 (Amount paid, after waiving part of the €1,344,345.91 awarded by CGEM in respect of **2019**, in application of the 2019 Compensation Policy and the 9th resolution of the Annual Shareholders Meeting of June 23, 2020 adopted by a 95.75% majority of the votes cast)	€581,161.00 (Amount that may be awarded in respect of **2020** in application of the 2020 Compensation Policy, payable in 2021)	**The amount paid in 2020** was reduced by 25% following Florent Menegaux's decision to waive part of his variable compensation due by CGEM (€1,344,345.91) for 2019 as a gesture of solidarity with Michelin Group employees and other stakeholders affected by the consequences of the Covid-19 health crisis. **The amount awarded in respect of 2020:** ▶ was determined in accordance with the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.4.1) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.4.3.2 of this 2020 Universal Registration Document.
Deferred variable compensation	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A

Compensation components put to the vote	Amounts paid in 2020:	Amounts awarded in respect of 2020 OR Provision set aside in 2020 OR Simulation	Presentation
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	€673,051.63 (book value – determined in accordance with IFRS 2 – of the 12,012 performance share rights awarded in November 2020)	This award was made in application of: ▶ the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.4.2) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ the 25th resolution of the Annual Shareholders Meeting of June 23, 2020 (see pages 395 *et seq.* of the 2019 Universal Registration Document), adopted by a 97.02% majority of the votes cast. This amount is the subject of detailed disclosures in section 3.4.3.3 of this 2020 Universal Registration Document.
Compensation as a Director/Supervisory Board member	N/A	N/A	N/A
Fringe benefits	€8,627.00	€8,627.00	Company car (accounting value)
Compensation for loss of office	No compensation paid	No compensation awarded	This component: ▶ is an integral part of the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.8) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2020 Universal Registration Document.
Non-compete indemnity	No indemnity paid	No indemnity awarded	This component: ▶ is an integral part of the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.9) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2020 Universal Registration Document.
Supplementary pension benefits	No benefits paid	No benefits awarded	This component: ▶ is an integral part of the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.7) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2020 Universal Registration Document.

N/A: Not applicable.

At the Annual Meeting of May 21, 2021, shareholders will be asked to approve the following ordinary resolution:

9th resolution

Approval of the components of the compensation paid or awarded to Florent Menegaux for the year ended December 31, 2020

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-77 II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2020 or awarded in respect of that year to Florent Menegaux, Managing General Partner and Managing Chairman, as presented in the Corporate Governance Report set out in section 3.5.2 of the Company's 2020 Universal Registration Document.

3.5.3 VOTE BY SHAREHOLDERS AT THE ANNUAL MEETING OF MAY 21, 2021 ON THE COMPENSATION PACKAGE OF YVES CHAPOT, GENERAL MANAGER

This section presents the components of the compensation paid or awarded to Yves Chapot for 2020 in his capacity as General Manager.

Compensation components put to the vote	Amounts paid in 2020:	Amounts awarded in respect of 2020 OR Provision set aside in 2020 OR Simulation	Presentation
Fixed compensation	€562,500.00	€600,000.00	The amount awarded in 2020: ▶ has been unchanged since Mr. Chapot was elected by the Annual Shareholders Meeting of May 18, 2018; the amount paid was reduced by 25% during the approximately three months in 2020 when employees in France were furloughed due to Covid-19; ▶ was determined in accordance with the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.3) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast).
Annual variable compensation	€348,776.14 (Amount paid, after waiving part of the €465,034.86 awarded in respect of **2019** in application of the 2019 Compensation Policy and the 10th resolution of the Annual Shareholders Meeting of June 23, 2020 adopted by a 96.47% majority of the votes cast)	€516,900.00 (Amount that may be awarded in respect of **2020** in application of the 2020 Compensation Policy, payable in 2021)	**The amount paid in 2020** was reduced by 25% following Yves Chapot's decision to waive part of his variable compensation for 2019 as a gesture of solidarity with Michelin Group employees and other stakeholders affected by the consequences of the Covid-19 health crisis. **The amount awarded in respect of 2020:** ▶ was determined in accordance with the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.4.1) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.4.3.2 of this 2020 Universal Registration Document.
Deferred variable compensation	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	€448,701.09 (book value – determined in accordance with IFRS 2 – of the 8,008 performance share rights awarded in November 2020)	This award was made in application of: ▶ the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.4.2) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ the 25th resolution of the Annual Shareholders Meeting of June 23, 2020 (see pages 395 *et seq.* of the 2019 Universal Registration Document), adopted by a 97.02% majority of the votes cast. This amount is the subject of detailed disclosures in section 3.4.4.2 of this 2020 Universal Registration Document.
Compensation as a Director/Supervisory Board member	N/A	N/A	N/A

Compensation components put to the vote	Amounts paid in 2020:	Amounts awarded in respect of 2020 OR Provision set aside in 2020 OR Simulation	Presentation
Fringe benefits	€9,644.00	€9,644.00	Company car (accounting value)
Compensation for loss of office	No compensation paid	No compensation awarded	This component: ▶ is an integral part of the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.8) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2020 Universal Registration Document.
Non-compete indemnity	No indemnity paid	No indemnity awarded	This component: ▶ is an integral part of the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.9) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2020 Universal Registration Document.
Supplementary pension benefits	No benefits paid	No benefits awarded	This component: ▶ is an integral part of the 2020 Compensation Policy, as described in the 2019 Universal Registration Document (section 3.4.2.7) and approved by the Annual Shareholders Meeting of June 23, 2020 (6th resolution, adopted by a 93.91% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2020 Universal Registration Document.

N/A: Not applicable.

At the Annual Meeting of May 21, 2021, shareholders will be asked to approve the following ordinary resolution:

10th resolution

Approval of the components of the compensation paid or awarded to Yves Chapot for the year ended December 31, 2020

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-77-II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2020 or awarded in respect of that year to Yves Chapot, General Manager, as presented in the Corporate Governance Report set out in section 3.5.3 of the Company's 2020 Universal Registration Document.

3.6 OTHER INFORMATION ABOUT COMPENSATION OF THE MANAGERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD

3.6.1 SUMMARY INFORMATION CONCERNING THE MANAGERS AND THE CHAIRMAN OF THE SUPERVISORY BOARD

The data and tables in this section:

- present the compensation of the Managers and the Chairman of the Supervisory Board;
- have been prepared in accordance with the AFEP/MEDEF Code (January 2020);
- comply with AMF recommendation No. 2012-02 (revised) on "corporate governance and executive compensation in companies that refer to the AFEP/MEDEF Code – Consolidated presentation of the recommendations contained in the AMF's annual reports".

3.6.1.1 Compensation, stock options and performance shares awarded to executive officers *(in €)* (based on Table 1 in the AFEP/MEDEF Code)

Florent Menegaux, Managing General Partner and Managing Chairman with unlimited personal liability for the Company's debts	2020	2019
Compensation awarded for the year	1,489,788.00	2,252,972.91
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	673,051.63(1)	0
Value of other long-term compensation plans	0	172,122.00(2)
TOTAL	**2,162,839.63**	**2,425,094.91**
Reference CGEM consolidated net income	625,441,868.00	1,730,043,108.00

(1) Book value (IFRS 2) at December 31, 2020 of the performance share award described in section 3.4.3.3 of this 2020 Universal Registration Document.
(2) Simulation at December 31, 2020 of the long-term incentive bonus not covered by a provision in the Company's accounts and described in section 3.6.2.1 of this 2020 Universal Registration Document.

Yves Chapot, General Manager	2020	2019
Compensation awarded for the year	1,126,544.00	1,074,287.86
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	448,701.09(1)	0
Value of other long-term compensation plans	0	86,000.00(2)
TOTAL	**1,575,245.09**	**1,160,287.86**

(1) Book value (IFRS 2) at December 31, 2020 of the performance share award described in section 3.4.4.3 of this 2020 Universal Registration Document.
(2) Simulation at December 31, 2020 of the long-term incentive bonus described in section 3.6.2.2 of this 2020 Universal Registration Document.

3.6.1.2 Compensation paid and awarded to Florent Menegaux *(in €)* (based on Table 2 in the AFEP/MEDEF Code)

Florent Menegaux, Managing General Partner and Managing Chairman with unlimited personal liability for the Company's debts	2020		2019	
	Awarded	Paid	Awarded	Paid
Fixed compensation(1)	900,000.00	843,750.00(2)	900,000.00	900,000.00
Annual variable compensation	581,161.00(3)	1,038,759.43(4)	1,344,345.91(5)	668,479.00
Exceptional compensation	0	0	0	0
Compensation as a Director/Supervisory Board member	0	0	0	0
Fringe benefit (car)	8,627.00	8,627.00	8,627.00	8,627.00
TOTAL	**1,489,788.00**	**1,891,136.43**	**2,252,972.91**	**1,577,106.00**
Reference CGEM consolidated net income	625,441,868.00	1,730,043,108.00	1,730,043,108.00	1,659,627,524.00

(1) Compensation paid by Manufacture Française des Pneumatiques Michelin (MFPM), a controlled entity, in consideration of his role as General Manager of the Company.
(2) After the agreed upon Covid-19-related reduction.
(3) Gross amount, calculated based on the achievement rate for the applicable performance criteria, subject to approval of the corresponding resolutions by CGEM shareholders at the Annual Meeting of May 21, 2021 (see section 3.5.2).
(4) After reduction decided due to the consequences of the Covid-19 crisis; including statutory Profit Share for a gross amount of €30,500 paid by Compagnie Financière Michelin SA (CFM) for Florent Menegaux's services as Manager and General Partner of CFM, which are entirely variable to the extent that they depend on CFM's net income for 2019.
(5) Gross amount, calculated based on the achievement rate for the applicable performance criteria, before the 25% Covid-19-related reduction in the amount due by CGEM, and approved by CGEM shareholders at the Annual Meeting of June 23, 2020..

3.6.1.3 Compensation paid and awarded to Yves Chapot *(in €)* (based on Table 2 in the AFEP/MEDEF Code)

	2020		2019	
Yves Chapot, General Manager	Awarded	Paid	Awarded	Paid
Fixed compensation	600,000.00	562,500.00(2)	600,000.00	600,000.00
Annual variable compensation	516,900.00(1)	348,776.14(2)	465,034.86(3)	263,763.00
Exceptional compensation	0	0	0	0
Compensation as a Director/Supervisory Board member	0	0	0	0
Fringe benefit (car)	9,644.00	9,644.00	9,253.00	9,253.00
TOTAL	**1,126,544.00**	**920,920.14**	**1,074,287.86**	**873,016.00**

(1) Gross amount, calculated based on the achievement rate for the applicable performance criteria, subject to approval of the corresponding resolutions by CGEM shareholders at the Annual Meeting of May 21, 2021 (see section 3.5.3).
(2) After reduction decided due to the consequences of the Covid-19 crisis.
(3) Gross amount, calculated based on the achievement rate for the applicable performance criteria, before the 25% Covid-19-related reduction, and approved by CGEM shareholders at the Annual Meeting of June 23, 2020.

3.6.1.4 Compensation received by the non-executive members of the Supervisory Board (based on Table 3 in the AFEP/MEDEF Code)

	2020(1)		2019(1)	
Supervisory Board members	Amount awarded *(in €)*	Amount paid *(in €)*	Amount awarded *(in €)*	Amount paid *(in €)*
Olivier Bazil(2)	35,500	80,000	80,000	63,278
Barbara Dalibard	80,000	90,000	90,000	63,278
Jean-Pierre Duprieu	62,500	60,000	60,000	53,543
Aruna Jayanthi	70,000	70,000	70,000	63,278
Anne-Sophie de La Bigne	65,000	71,250	71,250	63,278
Patrick de La Chevardière(3)	44,500	N/A	N/A	N/A
Jean-Christophe Laourde(4)	9,000	N/A	N/A	N/A
Thierry Le Hénaff	68,330	56,727	56,727	22,488
Monique Leroux	80,000	70,000	70,000	60,357
Cyrille Poughon(5)	47,250	60,000	60,000	53,543
Michel Rollier	120,000	112,800	112,800	87,615
Delphine Roussy(4)	9,000	N/A	N/A	N/A
Jean-Michel Severino(6)	17,750	N/A	N/A	N/A
TOTAL	**708,830(7)**	**670,777(8)**	**670,777(8)**	**554,992(9)**

(1) The compensation indicated consists solely of fixed compensation for services as Supervisory Board member. No variable compensation was paid for these services and no other compensation was awarded or paid.
(2) Supervisory Board member until June 2020.
(3) Supervisory Board member since June 2020.
(4) Supervisory Board member since December 2020.
(5) Supervisory Board member until October 2020.
(6) Supervisory Board member since November 2020.
(7) The amounts awarded in respect of 2020 have been determined in application of the 2020 Supervisory Board Compensation Policy approved by the Annual Shareholders Meeting of June 23, 2020 (7th resolution adopted by a majority of 99.75% of the votes cast).
(8) The amounts paid in 2020 were awarded in respect of 2019 out of the total annual compensation of €770,000 decided by the Annual Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast). The Chairman and independent members of the Supervisory Board joined the Managers by deciding to donate 25% of their compensation to foundations in their respective countries, which are part of the fight against Covid-19.
(9) Including €24,338 paid to Pat Cox for his services as Supervisory Board member until May 2018.

3.6.1.5 Stock options granted during the year to executive officers by the issuer and any other Group company (based on Table 4 in the AFEP/MEDEF Code)

No stock options were granted by the Company to the executive officers during the year.

No stock options have been granted to the Managers since 2012.

	Plan no. and date	Type of options (purchase or subscription)	Value of the options calculated by the method used for the consolidated financial statements	Number of options granted during the year	Exercise price	Exercise period
Florent Menegaux	-	-	0	0	-	-
Yves Chapot	-	-	0	0	-	-

3.6.1.6 Stock options exercised during the year by executive officers (based on Table 5 in the AFEP/MEDEF Code)

No stock options were exercised by the Company's executive officers in 2020.

	Plan no. and date	Number of options exercised during the year	Exercise price
Florent Menegaux	-	0	-
Yves Chapot	-	0	-

3.6.1.7 Performance shares granted during the year to the executive officers by the issuer and any other Group company (based on Table 6 in the AFEP/MEDEF Code)[1]

20,020 of the 506,236 performance share rights given on November 13, 2020 pursuant to the authorization given at the June 23, 2020 Annual Shareholders Meeting were granted to the Managers.

	Plan no. and date	Number of performance share rights granted during the year	Value of the performance shares calculated by the method used for the consolidated financial statements	Vesting date	End of lock-up period	Performance conditions
Florent Menegaux	Plan 12 of November 13, 2020	12,012	€673,051.63	November 13, 2024	November 13, 2024	See section 6.5.4 c) for details
Yves Chapot	Plan 12 of November 13, 2020	8,008	€448,701.09	November 13, 2024	November 13, 2024	See section 6.5.4 c) for details

3.6.1.8 Performance shares granted to executive officers for which the lock-up period ended during the year (based on Table 7 in the AFEP/MEDEF Code)[2]

	Plan no. and date	Number of performance shares for which the lock-up period ended during the year	Vesting conditions
Florent Menegaux	Plan 7 (Excellence Management) dated November 25, 2016 (performance shares granted in his capacity as an employee of a Group company, prior to becoming a corporate officer)	6,583	The performance condition achievement rates are disclosed in section 6.5.4 c) of this 2020 Universal Registration Document.
Yves Chapot	Plan 7 (Excellence Management) dated November 25, 2016 (performance shares granted in his capacity as an employee of a Group company, prior to becoming a corporate officer)	4,388	The performance condition achievement rates are disclosed in section 6.5.4 c) of this 2020 Universal Registration Document.

3.6.1.9 Past awards of stock options – Information about stock options (based on Table 8 in the AFEP/MEDEF Code)

See the table in section 6.5.3 a).

3.6.1.10 Past awards of performance shares - Information about performance shares (based on Table 9 in the AFEP/MEDEF Code)

See the table in section 6.5.4 a).

3.6.1.11 Deferred variable compensation awarded to executive officers (based on Table 10 in the AFEP/MEDEF Code)

See the table in section 3.6.2 below.

(1) Detailed information is provided in section 6.5.4 c) Interim fulfillment of performance conditions under the November 13, 2020 performance share plan for the Managers.

(2) Detailed information is provided in section 6.5.4 c) Fulfillment of performance conditions under the November 25, 2016 performance share plan.

3.6.1.12 Managers' employment contracts, supplementary pension benefits and other benefits (based on Table 11 in the AFEP/MEDEF Code)

	Employment contract		Supplementary pension benefits		Benefits or advantages due or likely to be due as a result of terminations or changes of office		Non-compete indemnity	
Executive officer	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Florent Menegaux								
Position: Managing Chairman and Managing General Partner Start date of term of office: 2018 Expiration of term of office: 2022		X(1)	X(2)		X(3)		X(4)	
Yves Chapot								
Position General Manager Start date of term of office: 2018 Expiration of term of office: 2022	X(5)		X(2)		X(3)		X(6)	

(1) Florent Menegaux resigned from the position that was the subject of his pre-existing employment contract.

(2) Defined benefit pension plan set up for senior executives of MFPM and CGEM. For detailed explanations, see sections 3.4.3.5 and 3.4.4.5. In accordance with Government Order No. 2019-697 dated July 3, 2019, the supplementary pension plan set up for MFPM and CGEM senior executives (the Michelin Executive Supplementary Pension Plan) has been closed to new members since July 4, 2019 and the vesting period was frozen at December 31, 2019.

(3) Benefit defined in the CGEM Bylaws:
– set by the Non-Managing General Partner with the endorsement of the Supervisory Board;
– only payable in the event of forced departure due to a change of strategy or of control;
– capped at two years' fixed and variable compensation (this cap includes any other benefits payable on termination of office such as a non-compete indemnity);
– subject to performance conditions (see section 3.3.2.8).

(4) Indemnity payable in his capacity as an executive officer of MFPM:
– with the possibility for the Supervisory Board to waive implementation of the non-compete clause;
– capped at 24 months' worth of the most recent fixed compensation paid to him by MFPM;
– deducted, where appropriate, from the cap equal to two years' fixed and variable compensation, applicable to all benefits payable on termination of office, including the compensation for loss of office payable in the event of a forced departure due to a change in the Company's strategy or control (for detailed explanations, see section 3.4.2.9).
In accordance with Article R.22-10-40-III of the French Commercial Code, the non-compete indemnity would not be payable if the person concerned retired on leaving the Group.

(5) Suspended employment contract with MFPM.

(6) Indemnity payable under his suspended employment contract with MFPM:
– with the possibility for the Supervisory Board to waive implementation of the non-compete clause;
– capped at 24 months' worth of the most recent aggregate compensation paid to him by MFPM;
– deducted, where appropriate, from the cap equal to two years' fixed and variable compensation applicable to all termination benefits, including compensation for loss of office payable in the event of a forced departure due to a change in the Company's strategy or control (for detailed explanations, see section 3.3.2.9).
In accordance with Article R.22-10-40-III of the French Commercial Code, the non-compete indemnity would not be payable if Yves Chapot retired on leaving the Group.

3.6.2 LONG-TERM INCENTIVE BONUSES AWARDED TO EXECUTIVE OFFICERS IN RESPECT OF PERIODS PRIOR TO 2020

3.6.2.1 Long-term incentive bonuses awarded to Florent Menegaux in respect of periods prior to 2020

Cash-settled long-term incentive bonus awarded in 2018

This compensation awarded for 2018 was presented at the Annual Shareholders Meeting of May 17, 2019 and was approved by a majority of 98.29% of the votes cast (7th resolution).

Criteria	**Growth in the Michelin share price compared with that of the CAC 40 index over the 2018-2020 period[(2)]**	**Michelin Environmental Footprint** *(as measured by the MEF indicator)*[(1)]	**Employee engagement rate (as measured by the annual "Moving Forward Together" survey)**	**Growth in consolidated operating income** *(in € millions, before non-recurring items, at constant exchange rates and accounting methods)*
Type	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received	If the average MEF over three years is less than 51, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If the average engagement rate exceeds 80%, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If average annual growth in operating income exceeds €150 million, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15)	If the average MEF over three years is between 51 and 53, the result will be: (53 - average MEF)/(53 - 51)*15%	If the average engagement rate is between 77% and 80%, the result will be: (average engagement rate - 77%)/(80% - 77%)*15%	If average annual growth in operating income is between €70 million and €150 million, the result will be: (operating income - €70 million)/(€150 million - €70 million)*15%
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate will be 0%	If the average MEF over three years is more than 53, the indicator will be 0%	If the average engagement rate is less than 77%, the indicator will be 0%	If average annual growth in operating income is less than €150 million, the indicator will be 0%
Actual indicator	Growth in the Michelin share price[(2)] = -18.90% Growth in the CAC 40[(2)] = -3.20% The average engagement rate is -15.70%, giving an achievement rate of 0% out of 35% for this criterion	2018 = 49.3 2019 = 48.8 2020 = 48.9 The average MEF is 49 giving an achievement rate of 15% out of 15% for this criterion	2018 = 80% 2019 = 81% 2020 = 83% The average engagement rate is 81.3%, giving an achievement rate of 15% out of 15% for this criterion	2018 = +€289 million 2019 = +€43 million 2020 = -€974 million The growth differential is a negative €214 million, giving an achievement rate of 0% out of 35% for this criterion
Base amount	€720,000.00			
Cap and eligibility conditions	▶ Capped at 150% of 5/6ths of the annual average of the annual variable compensation paid to Mr. Menegaux for 2018, 2019 and 2020 (sum of the payments divided by 2.5) ▶ Subject to the availability and amount of Profit Share for distribution in 2021 out of 2020 profit, after deducting annual variable compensation due for 2020			
Payment year	2021			
Amount due	€180,000.00 (rounded): after prorating the amount obtained after applying the performance criteria to the Base to take account of the time served during the 2018-2020 period (by half-year periods), by taking 5/6ths of the said amount.			
Commitment	Commitment to invest in Michelin shares 20% of the long-term incentive bonus received at the end of the three-year period and to retain these shares for as long as Mr. Menegaux remains in office, after which the shares may be sold on a phased basis over four years			

(1) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.
(2) Average share price for the second half of 2020 compared to the average share price for the second half of 2017.

Based on the characteristics of this long-term incentive bonus and the achievement rates for the bonus criteria observed by the Compensation and Appointments Committee (see above table), the Supervisory Board noted that the gross long-term incentive bonus amounted to €180,000.00 (before withholding tax). This bonus will be payable in 2021 after the 2020 financial statements have been approved by the Annual Shareholders Meeting of May 21, 2021.

Mr. Menegaux is committed to investing 20% of the incentive bonus in Michelin shares, which he will continue to hold for as long as he remains in office, with any subsequent sales to be carried out on a phased basis over four years.

Cash-settled long-term incentive bonus awarded in 2019

This compensation awarded for 2019 was presented at the Annual Shareholders Meeting of June 23, 2020 and approved by a majority of 95.75% of the votes cast (9th resolution).

Criteria	**Growth in the Michelin share price compared with that of the CAC 40 index over the 2019-2021 period**	**Miche Environmental Footprint** *(as measured by the MEF indicator)*[(1)]	**Change in the Employee Engagement Rate (as measured by the annual "Moving Forward Together" survey)**	**Growth in Segment Operating Income (SOI), in € millions** *(based on current business scope and comparable accounting methods, excluding changes in exchange rates)*
Type	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting *(as a % of the Profit Share)*	11%	4%	4%	11%
Calculation method	Average of the share prices for the second half of 2018 compared to the average of the share prices for the second half of 2021 (closing prices quoted on Euronext Paris)	Average decrease in the indicator between 2018/2019, 2019/2020 and 2020/2021	Average growth in the indicator between 2018/2019, 2019/2020 and 2020/2021	Average growth in the indicator between 2018/2019, 2019/2020 and 2020/2021
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 11% of the maximum potential bonus will be received	If the change in average MEF over three years is less than -1.5 pts, the achievement rate will be 100% and the maximum 4% of the maximum potential bonus will be received	If the improvement in the average engagement rate exceeds 1.5 pts, the achievement rate will be 100% and the maximum 4% of the maximum potential bonus will be received	If average annual growth in Segment Operating Income exceeds €200 million, the achievement rate will be 100% and the maximum 11% of the performance shares for this objective will vest
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (11%/15)	If the change in average MEF over three years is between -1.1 pts and -1.5 pts, the target will be partly achieved and 3% of the maximum potential bonus will be received If the change in average MEF over three years is between -0.5 pts and -1.0 pts, the target will be partly achieved and 1.5% of the maximum potential bonus will be received	If the improvement in the average engagement rate is between 0.1 pts and 1.5 pts, the target will be partly achieved and the bonus will be determined on a straight line basis	If the average growth in Segment Operating Income is between €100 million and €200 million, the target will be partly achieved and the bonus will be determined on a proportionate basis

Criteria	Growth in the Michelin share price compared with that of the CAC 40 index over the 2019-2021 period	Miche Environmental Footprint *(as measured by the MEF indicator)*(1)	Change in the Employee Engagement Rate (as measured by the annual "Moving Forward Together" survey)	Growth in Segment Operating Income (SOI), in € millions *(based on current business scope and comparable accounting methods, excluding changes in exchange rates)*
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate will be 0%	If the change in average MEF over three years exceeds -0.5 pts, the target will not be met	If the improvement in the average engagement rate is less than 0.1 pts, the target will not be met	If average annual growth in Segment Operating Income is less than €100 million, the target will not be met
Intermediate assessment	Growth in the Michelin share price(2) = -1.10% Growth in the CAC 40(2) = -1.90%	2019 = -0.5 pts 2020 = +0.1 pts	2019 = +1.0 pts 2020 = +2 pts	2019 = +€163 million 2020 = -€1,006 million
Simulated result	€172,122(3)			
Base amount	Profit Share payable out of distributable income for 2021			
Cap and eligibility conditions	▶ Capped at 2.5x annual fixed compensation for 2019, i.e., €2,250,000 (indicative amount) ▶ Subject to the availability and amount of Profit Share for distribution in 2022 out of 2021 profit, after deducting annual variable compensation due for 2021			
Payment year	2022			
Commitment	Commitment to invest in Michelin shares 20% of the long-term incentive bonus received at the end of the three-year period and to retain these shares for as long as Mr. Menegaux remains in office, after which the shares may be sold on a phased basis over four years			

(1) Michelin site Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.

(2) Average share price for the second half of 2018 compared to the average share price for the second half of 2020.

(3) Simulation prepared for information purposes only (no provision has been recorded in the accounts), using the following assumptions:
- *amount of Profit Shares due in respect of 2021 income (Calculation Base) identical to the amount of Profit Share due for 2020;*
- *results of the four performance indicators over the three-year calculation period equal to the change in these indicators in the first two years of this period (2019-2020).*

3.6.2.2 Long-term incentive bonuses awarded to Yves Chapot in respect of periods prior to 2020

Cash-settled long-term incentive bonus awarded in 2018

This compensation awarded for 2018 was presented at the Annual Shareholders Meeting of May 17, 2019 and was approved by a majority of 98.30% of the votes cast (8th resolution).

Criteria	Growth in the Michelin share price compared with that of the CAC 40 index over the 2018-2020(1) period	Michelin Environmental Footprint *(as measured by the MEF indicator)*(2)	Employee engagement rate (as measured by the annual "Moving Forward Together" survey)	Growth in consolidated operating income *(in € millions, before non-recurring items, at constant exchange rates and accounting methods)*
Type	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received	If the average MEF over three years is less than 51, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If the average engagement rate exceeds 80%, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If average annual growth in operating income exceeds €150 million, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15)	If the average MEF over three years is between 51 and 53, the result will be: (53 - average MEF)/(53 - 51)*15%	If the average engagement rate is between 77% and 80%, the result will be: (average engagement rate - 77%)/(80% - 77%)*15%	If average annual growth in operating income is between €70 million and €150 million, the result will be: (operating income - €70 million)/(€150 million - €70 million)*15%
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate will be 0%	If the average MEF over three years is more than 53, the indicator will be 0%	If the average engagement rate is less than 77%, the indicator will be 0%	If average annual growth in operating income is less than €150 million, the indicator will be 0%
Actual indicator	Growth in the Michelin share price(2) = -18.90% Growth in the CAC 40(2) = -3.20% The average engagement rate is -15.70%, giving an achievement rate of 0% out of 35% for this criterion	2018 = 49.3 2019 = 48.8 2020 = 48.9 The average MEF is 49 giving an achievement rate of 15% out of 15% for this criterion	2018 = 80% 2019 = 81% 2020 = 83% The average engagement rate is 81.3%, giving an achievement rate of 15% out of 15% for this criterion	2018 = +€289 million 2019 = +€43 million 2020 = -€974 million The growth differential is a negative €214 million, giving an achievement rate of 0% out of 35% for this criterion
Base amount	€600,000.00			
Ceiling	Capped at 120% of 5/6ths of the annual average of the annual variable compensation paid to Mr. Chapot for 2018, 2019 and 2020 (sum of the payments divided by 2.5)			
Amount due	€150,000.00 (rounded): after prorating the amount obtained after applying the performance criteria to the Base to take account of the time served during the 2018-2020 period (by half-year periods), by taking 5/6ths of the said amount.			
Payment year	2021			

(1) Average share price for the second half of 2020 compared to the average share price for the second half of 2017.
(1) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.

Based on the characteristics of this long-term incentive bonus and the achievement rates for the bonus criteria observed by the Compensation and Appointments Committee (see above table), the Supervisory Board noted that the gross long-term incentive bonus amounted to €150,000.00 (rounded, before withholding tax). This bonus will be payable in 2021 after the 2020 financial statements have been approved by the Annual Shareholders Meeting of May 21, 2021.

Cash-settled long-term incentive bonus awarded in 2019

This compensation awarded for 2019 was presented at the Annual Shareholders Meeting of June 23, 2020 and was approved by a majority of 96.47% of the votes cast (10th resolution).

Criteria	**Growth in the Michelin share price compared with that of the CAC 40 index over the 2019-2021 period**	**Michelin Environmental Footprint** *(as measured by the MEF indicator)*[(1)]	**Change in the Employee Engagement Rate (as measured by the annual "Moving Forward Together" survey)**	**Growth in Segment Operating Income (SOI), in € millions** *(based on current business scope and comparable accounting methods, excluding changes in exchange rates)*
Type	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Calculation method	Average of the share prices for the second half of 2018 compared to the average of the share prices for the second half of 2021 (closing prices quoted on Euronext Paris)	Average decrease in the indicator between 2018/2019, 2019/2020 and 2020/2021	Average growth in the indicator between 2018/ 2019, 2019/2020 and 2020/2021	Average growth in the indicator between 2018/2019, 2019/2020 and 2020/2021
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received	If the change in average MEF over three years is less than -1.5 pts, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If the improvement in the average engagement rate exceeds 1.5 pts, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If average annual growth in Segment Operating Income exceeds €200 million, the achievement rate will be 100% and the maximum 35% of the performance shares for this objective will vest.
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15)	If the change in average MEF over three years is between -1.1 pts and -1.5 pts, the target will be partly achieved and 10% of the maximum potential bonus will be received If the change in average MEF over three years is between -0.5 pts and -1.0 pts, the target will be partly achieved and 5% of the maximum potential bonus will be received	If the improvement in the average engagement rate is between 0.1 pts and 1.5 pts, the target will be partly achieved and the bonus will be determined on a straight line basis	If the average growth in Segment Operating Income is between €100 million and €200 million, the target will be partly achieved and the bonus will be determined on a proportionate basis
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate will be 0%	If the change in average MEF over three years exceeds -0.5 pts, the achievement rate will be 0%	If the improvement in the average engagement rate is less than 0.1 pts, the achievement rate will be 0%	If average annual growth in Segment Operating Income is less than €100 million, the achievement rate will be 0%
Intermediate assessment	Growth in the Michelin share price[(2)] = -1.10% Growth in the CAC 40[(2)] = -1.90%	2019 = -0.5 pts 2020 = +0.1 pts	2019 = +1.0 pts 2020 = +2 pts	2019 = +€163 million 2020 = -€1,006 million
Provision[(3)]	Provision set aside of €86,000 at December 31, 2020: ▶ €67,000 (theoretical net amount payable) ▶ €19,000 (payroll taxes)			
Simulated result	€101,200[(4)]			
Base amount	€600,000 (2019 fixed compensation)			
Ceiling	120% of the annual average of the annual variable compensation paid to Mr. Chapot for 2019, 2020 and 2021			
Payment year	2022			

(1) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.

(2) Average share price for the second half of 2018 compared to the average share price for the second half of 2020.

(3) Provision estimated based on the assumption that the results of the performance indicators over the three-year calculation period is equal to the change in these four indicators in the first two years of this period (2019 and 2020).

(4) Simulation based on the assumption that the results of the four performance indicators over the three-year calculation period is equal to the change in these indicators in the first two years of this period (2019 and 2020).

3.6.2.3 Long-term incentive bonus awarded to Jean-Dominique Senard in his capacity as Managing Chairman and General Partner for the years prior to 2020

Cash-settled long-term incentive bonus awarded in 2018

This compensation awarded for 2018 was presented at the Annual Shareholders Meeting of May 17, 2019 and was approved by a majority of 96.75% of the votes cast (6th resolution).

Criteria	Growth in the Michelin share price compared with that of the CAC 40 index over the 2018-2020(1) period	Michelin Environmental Footprint *(as measured by the MEF indicator)*(2)	Employee engagement rate (as measured by the annual "Moving Forward Together" survey)	Growth in consolidated operating income *(in € millions, before non-recurring items, at constant exchange rates and accounting methods)*
Type	Financial performance	Environmental and CSR performance	Environmental and CSR performance	Business performance
Weighting	35%	15%	15%	35%
Maximum objective	If the gain in Michelin's share price is at least 15 points more than the gain in the CAC 40, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received	If the average MEF over three years is less than 51, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If the average engagement rate exceeds 80%, the achievement rate will be 100% and the maximum 15% of the maximum potential bonus will be received	If average annual growth in operating income exceeds €150 million, the achievement rate will be 100% and the maximum 35% of the maximum potential bonus will be received
Target objective	If the gain in Michelin's share price is between 0 and 15 points more than the gain in the CAC 40, the result will be: (gain in the Michelin share price - gain in the CAC 40 index) x (35%/15)	If the average MEF over three years is between 51 and 53, the result will be: (53 - average MEF)/(53 - 51)*15%	If the average engagement rate is between 77% and 80%, the result will be: (average engagement rate - 77%)/(80% - 77%)*15%	If average annual growth in operating income is between €70 million and €150 million, the result will be: (operating income - €70 million)/(€150 million - €70 million)*15%
Trigger point	If the gain in Michelin's share price is less than the gain in the CAC 40, the achievement rate would be 0%	If the average MEF over three years is more than 53, the indicator will be 0%	If the average engagement rate is less than 77%, the indicator will be 0%	If average annual growth in operating income is less than €150 million, the indicator will be 0%
Actual indicator	Growth in the Michelin share price(2) = -18.90% Growth in the CAC 40(2) = -3.20% The average engagement rate is -15.70%, giving an achievement rate of 0% out of 35% for this criterion	2018 = 49.3 2019 = 48.8 2020 = 48.9 The average MEF is 49 giving an achievement rate of 15% out of 15% for this criterion	2018 = 80% 2019 = 81% 2020 = 83% The average engagement rate is 81.3%, giving an achievement rate of 15% out of 15% for this criterion	2018 = +€289 million 2019 = +€43 million 2020 = -€974 million The growth differential is a negative €214 million, giving an achievement rate of 0% out of 35% for this criterion
Base amount	€1,080,000.00			
Cap and eligibility conditions	▶ Capped at 150% of 3/6ths of the annual average of the annual variable compensation paid to Mr. Senard for 2018 and 2019 (sum of the payments divided by 1.5) ▶ Subject to the availability and amount of Profit Share for distribution in 2021 out of 2020 profit, after deducting annual variable compensation due for 2020			
Amount due	€162,000.00 (rounded): after prorating the amount obtained after applying the performance criteria to the Base to take account of the time served during the 2018-2020 period (by half-year periods), by taking 3/6ths of the said amount			
Payment year	2021			
Commitment	Commitment to invest in Michelin shares 20% of the long-term incentive bonus received at the end of the three-year period and to retain these shares for as long as Mr. Senard remained in office, after which the shares could be sold on a phased basis over four years			

(1) Average share price for the second half of 2020 compared to the average share price for the second half of 2017.

(2) Michelin Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled; for 2018, the trigger point and maximum objective for these criteria were made considerably tougher.

Based on the characteristics of this long-term incentive bonus and the achievement rates for the bonus criteria observed by the Compensation and Appointments Committee (see above table), the Supervisory Board noted that the gross long-term incentive bonus amounted to €162,000.00 (rounded, before withholding tax). This bonus will be payable in 2021 after the 2020 financial statements have been approved by the Annual Shareholders Meeting of May 21, 2021.

Mr. Senard committed to investing 20% of the incentive bonus in Michelin shares, which he continued to hold for as long as he remained in office, with any subsequent sales to be carried out on a phased basis over four years.

3.7 TOTAL COMPENSATION AWARDED TO THE GROUP EXECUTIVE COMMITTEE

In 2020, the members of the Group Executive Committee (excluding the Managers) received aggregate gross compensation of €5,324,236 (including €1,566,295 corresponding to the variable component for 2019 paid during the first half of 2020). In 2019, the gross aggregate compensation received by Group Executive Committee members totaled €5,337,500 (including €1,784,968 corresponding to the variable component for 2018 paid during the first half of 2019). The Group Executive Committee members do not receive any compensation as members of the Boards of any Group companies.

3.8 TRADING IN MICHELIN SHARES BY THE CORPORATE OFFICERS, THE GENERAL PARTNERS AND SUPERVISORY BOARD MEMBERS AND THEIR CLOSE RELATIVES IN 2020

Managers

Florent Menegaux

18,000 shares sold on November 11, 2020 at a unit price of €104.42;

6,583 shares acquired on November 25, 2020 without consideration under the performance share plan.

Yves Chapot

4,388 shares acquired on November 25, 2020 without consideration under the performance share plan.

SAGES (Non-Managing General Partner)

No shares purchased in 2020.

Supervisory Board

Barbara Dalibard

200 shares purchased on December 21, 2020 at a unit price of €108.80 a share.

Patrick de La Chevardière

200 shares(1) purchased on January 29, 2020 at a unit price of €105.00.

200 shares(1) purchased on February 5, 2020 at a unit price of €105.30 a share.

Jean-Christophe Laourde

8 shares purchased on November 12, 2020 at a unit price of €76.37 a share (2020-2025 Employee Share Ownership Plan).

Cyrille Poughon

10 shares purchased on November 12, 2020 at a unit price of €76.37 a share (2020-2025 Employee Share Ownership Plan).

Delphine Roussy

10 shares purchased on November 12, 2020 at a unit price of €76.37 a share (2020-2025 Employee Share Ownership Plan).

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out by the Managing Chairman, the Managers, SAGES, Supervisory Board members or their close relatives during the year.

(1) Shares acquired prior to his election by the Annual Shareholders Meeting of June 23, 2020.

3.9 PROCEDURE FOR ASSESSING AGREEMENTS ENTERED INTO IN THE NORMAL COURSE OF BUSINESS

In accordance with Article L. 225-39 of the French Commercial Code, referring to Article L. 226-10-1 of said Code, the Supervisory Board has established a procedure for the regular review of agreements entered into in the normal course of business, in order to obtain assurance that they are on arm's length terms. The persons directly or indirectly concerned by any of these agreements do not participate in the review. The procedure is performed by members of the Legal Department who refer to the regulatory framework governing these types of agreement.

3.10 ARTICLES OF INCORPORATION, BYLAWS AND SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

The Bylaws, in French and English, can be downloaded from the Company's website (www.michelin.com).

3.10.1 GENERAL PARTNERS (ARTICLE 1 OF THE BYLAWS)

- Florent Menegaux, Managing Chairman;
- Société Auxiliaire de Gestion – SAGES (registered in the Clermont-Ferrand Trade and Companies Register under number 870 200 466), a simplified joint stock company chaired by Jacques d'Armand de Chateauvieux (please refer to the presentation and role of this company, section 3.1.3).

3.10.2 CORPORATE PURPOSE (ARTICLE 2 OF THE BYLAWS)

All operations and activities directly or indirectly linked to the production, manufacture and sale of rubber, at all stages of manufacture, in all forms and for all uses.

All industrial, commercial and financial operations, related in particular to:

- tires, tire components, tire accessories and manufactured rubber in general;
- mechanical engineering in all its applications, and in particular motor vehicles and industrial vehicles, components, spare parts and accessories;
- the production, sale and use of natural or synthetic chemicals and their derivatives, in particular the various sorts of elastomers, plastics, fibers and resins, and generally all activities and products of the chemicals industry, especially as related to the products and operations described above;
- the filing, acquisition, use, transfer or sale of any intangible property rights, and in particular patents and related rights, trademarks and manufacturing processes relating to the corporate purpose.

To be carried out directly, as well as through equity interests, the creation of new companies, joint ventures (*sociétés en participation*) and economic interest groups (*groupements d'intérêt économique*), contributions, partnerships (*commandites*), the subscription, purchase or exchange of securities, or interests, in all businesses whose activities relate to the aforementioned purposes, or by way of merger or otherwise.

And generally, all commercial, industrial, real estate, securities and financial transactions related directly or indirectly in whole or in part to any of the purposes specified above or to any similar or related purposes.

3.10.3 MANAGERS (ARTICLE 10 OF THE BYLAWS)

The Company is led by a Managing Chairman and managed by one or more Managers, who are individuals and who may or may not be General Partners.

3.10.4 FINANCIAL YEAR (ARTICLE 29 OF THE BYLAWS)

The Company's fiscal year begins on January 1 and ends on December 31.

3.10.5 STATUTORY ALLOCATION OF PROFITS (ARTICLE 30 OF THE BYLAWS)

An amount equivalent to 12% of net profit for the year is allocated to the General Partners, from which are deducted the dividends and reserves distributed by the subsidiaries Manufacture Française des Pneumatiques Michelin (MFPM) and Compagnie Financière Michelin SA (CFM). The allocated amount is capped at 0.6% of consolidated net income for the year, with any excess being allocated to profit available for appropriation. Net profit comprises net revenue for the year less general and administrative costs and all other expenses of the Company, including any depreciation, amortization and provisions deemed necessary. Net profit remaining after the 12% allocation to the General Partners, plus any retained earnings brought forward from the prior year, is attributable to shareholders.

The shareholders may decide to make deductions from this attributable net profit to be used, as recommended by the Managing Chairman, to create or increase one or more reserve or contingency funds, over which the General Partners shall not have any rights.

Any attributable net profit remaining after the above deduction shall be distributed to shareholders.

3.10.6 SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

Notices of Meeting (Article 21 of the Bylaws)

Notices of Meeting are issued in such form and with such advance notice as is prescribed by law.

Conditions of attendance (Articles 22 and 24 of the Bylaws)

Shareholders may attend General Meetings regardless of how many shares they own, provided such shares are fully paid up and are registered in the Company's share register at least three days before the date of the Meeting.

Exercising voting rights – attribution of double voting rights (Article 22 of the Bylaws)

Owners or proxies of owners of fully paid-up shares registered in the name of the same holder for at least four years shall have two votes per share, without limitation.

In the event of a capital increase paid up by capitalizing reserves, income or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights shall similarly carry double voting rights.

Transfer through inheritance, liquidation of marital assets, *inter vivos* transfers to a spouse or to a relative in the ascending or descending line shall not result in the loss of double voting rights or a break in the qualifying period described above.

Shares transferred for any other reason shall lose their double voting rights ipso jure.

Statutory disclosure thresholds

The Bylaws do not provide for any disclosure to the Company when certain shareholding thresholds are exceeded.

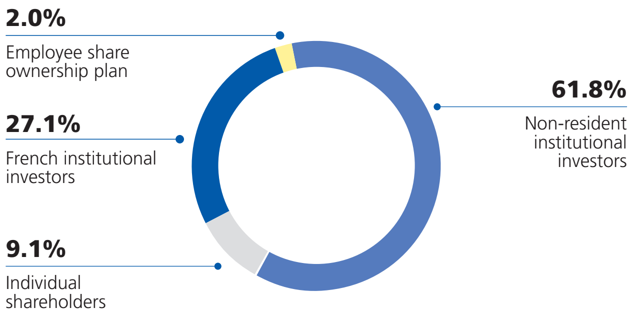
Further information is provided on the Company's website www.michelin.com.

3.11 OWNERSHIP STRUCTURE AND VOTING RIGHTS

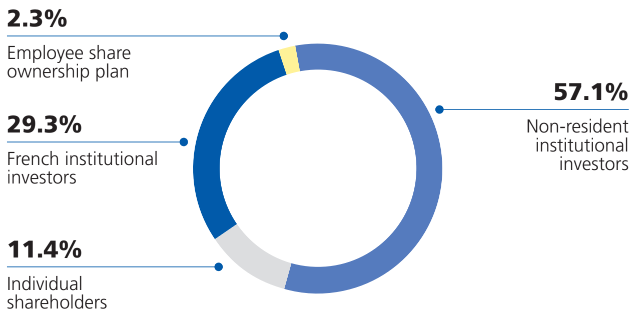
(At December 31, 2020):

- share capital: €356,680,172;
- shares outstanding: 178,340,086 all fully paid up;
- voting rights outstanding: 243,584,598.

SHARE OWNERSHIP
(at December 31, 2020)



VOTING RIGHTS
(at December 31, 2020)



Shares held in the same name for at least four years carry double voting rights. At December 31, 2020, 178,340,086 shares were held by the public, corresponding to 100% of the voting rights.

As of December 31, 2020, to the best of the Company's knowledge:

- Caisse des Dépôts et Consignations (CDC) held 5.04% of the capital and 5.05% of the voting rights;
- BlackRock Inc. held 5.01% of the share capital and 3.68% of the voting rights;
- Mage Invest held 3.79% of the share capital and 5.11% of the voting rights;
- no other shareholder directly or indirectly holds more than 5% of the capital and voting rights;
- there are no shareholders' agreements or pacts.

There has been no material change in the Company's ownership structure over the last three years.

3.12 FINANCIAL AUTHORIZATIONS

3.12.1 GRANTED BY THE ANNUAL SHAREHOLDERS MEETING OF MAY 18, 2018

Issuance of shares and share equivalents with pre-emptive subscription rights

Corporate action	Resolution	Duration (expiration date)	Maximum issue amount, based on a share price of €105(1) *(in €)*	Maximum aggregate par value of shares *(in €)*	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	14th	26 months (July 2020)	▶ €6.61 billion (shares) ▶ €2.50 billion(4) (securities carrying rights to shares)	€126 million(2)(3) (less than 35% of issued capital)	None
Issuance of new shares by capitalizing reserves	20nd	26 months (July 2020)	€4.20 billion	€80 million	None

(1) CGEM share price at December 31, 2020, rounded up to the nearest whole number.

(2) With the aggregate par value of shares issued in connection with all of the authorized transactions not to exceed €126 million, excluding any shares issued under the 18th and 20th resolutions (21st resolution).

(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 14th, 15th and 16th resolutions (17th resolution).

(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 14th, 15th, 16th, 17th, 19th and 20th resolutions not to exceed €2.5 billion (21st resolution).

Issuance of shares and share equivalents without pre-emptive subscription rights

Corporate action	Resolution	Duration (expiration date)	Maximum issue amount, based on a share price of €105[1] *(in €)*	Maximum aggregate par value of shares *(in €)*	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	15th	26 months (July 2020)	▶ €1.89 billion (shares) ▶ €2.50 billion[4] (securities carrying rights to shares)	€36 million[2][3] (less than 10% of issued capital)	None
Issuance of shares and/or securities carrying rights to shares through an offer governed by Article L. 411-2 of the French Monetary and Financial Code (*Code monétaire et financier*)	16th	26 months (July 2020)	▶ €1.89 billion (shares) ▶ €2.50 billion[4] (securities carrying rights to shares)	€36 million[2][3][5] (less than 10% of issued capital)	None
Issuance of ordinary shares in connection with a stock-for-stock offer or in payment of contributed assets	19th	26 months (July 2020)	€1.89 billion	€36 million[5]	None

(1) CGEM share price at December 31, 2020, rounded up to the nearest whole number.
(2) With the aggregate par value of shares issued in connection with all of the authorized transactions not to exceed €126 million, excluding any shares issued under the 18th and 20th resolutions (21st resolution).
(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 14th, 15th and 16th resolutions (17th resolution).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 14th, 15th, 16th, 17th, 19th and 20th resolutions not to exceed €2.5 billion (21st resolution).
(5) Amount to be included in the maximum total capital increase authorized under the 21st resolution.

Debt securities without rights to shares/Other debt securities

Corporate action	Resolution	Duration (expiration date)	Maximum nominal amount authorized *(in €)*	Utilization during the year
Issuance of bonds	8th	26 months (July 2020)	€5 billion	€42 million[1]

(1) Please refer to section 5.2, note 26.1.

Employee share issues

Corporate action	Resolution	Duration (expiration date)	Comments	Utilization during the year
Issuance of new ordinary shares	20th	26 months (July 2020)	Less than 2% of issued capital	None

3.12.2 GRANTED BY THE ANNUAL SHAREHOLDERS MEETING OF MAY 17, 2019

Share buyback program

Corporate action	Resolution	Duration (expiration date)	Limitations	Utilization during the year
Share buyback program	5th	18 months (November 2020)	▶ Statutory limit of 10% of issued capital ▶ Maximum purchase price: €180	Buyback of 216,935 shares[(1)]
Capital reduction by canceling shares	14th	18 months (November 2020)	10% of issued capital	None

(1) Please refer to section 6.5.6.

Employee share issues

Corporate action	Resolution	Duration (expiration date)	Comments	Utilization during the year
Performance share grants	13th	38 months (July 2022)	▶ Not open to the Managers or the Chairman of the Supervisory Board ▶ Performance conditions over three years ▶ Capped at 0.7% of issued capital	None

3.12.3 GRANTED BY THE ANNUAL SHAREHOLDERS MEETING OF JUNE 23, 2020

Issuance of shares and share equivalents with pre-emptive subscription rights

Corporate action	Resolution	Duration (expiration date)	Maximum issue amount, based on a share price of €105[(1)] *(in €)*	Maximum aggregate par value of shares *(in €)*	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	16th	26 months (August 2022)	▶ €6.61 billion (shares) ▶ €2.50 billion[(4)] (securities carrying rights to shares)	€126 million[(2)(3)] (less than 35% of issued capital)	None
Issuance of new shares by capitalizing reserves	20th	26 months (August 2022)	€4.20 billion	€80 million	None

(1) CGEM share price at December 31, 2020, rounded up to the nearest whole number.
(2) With the aggregate par value of shares issued in connection with all of the authorized transactions not to exceed €126 million, excluding any shares issued under the 20th resolution (23rd resolution).
(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 16th, 17th and 18th resolutions (19th resolution).
(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 16th, 17th, 18th and 19th resolutions not to exceed €2.5 billion (23rd resolution).

Issuance of shares and share equivalents without pre-emptive subscription rights

Corporate action	Resolution	Duration (expiration date)	Maximum issue amount, based on a share price of €105[1] *(in €)*	Maximum aggregate par value of shares *(in €)*	Utilization during the year
Issuance of shares and/or securities carrying rights to shares	17th	26 months (August 2022)	▶ €1.84 billion (shares) ▶ €2.50 billion[4] (securities carrying rights to shares)	€35 million[2][3] (less than 10% of issued capital)	None
Issuance of shares and/or securities carrying rights to shares through an offer governed by Article L. 411-2 of the French Monetary and Financial Code (*Code monétaire et financier)*	18th	26 months (August 2022)	▶ €1.84 billion (shares) ▶ €2.50 billion[4] (securities carrying rights to shares)	€35 million[2][3][5] (less than 10% of issued capital)	None
Issuance of ordinary shares in connection with a stock-for-stock offer or in payment of contributed assets	21st	26 months (August 2022)	€1.84 billion	€35 million[5]	None

(1) CGEM share price at December 31, 2020, rounded up to the nearest whole number.

(2) With the aggregate par value of shares issued in connection with all of the authorized transactions not to exceed €126 million, excluding any shares issued under the 20th resolution (23rd resolution).

(3) This amount may be raised by up to 15% if the issue is oversubscribed, subject to the ceilings set respectively in the 16th, 17th and 18th resolutions (19th resolution).

(4) With the aggregate nominal amount of all debt securities, with or without rights to shares, authorized by the 16th, 17th, 18th and 19th resolutions not to exceed €2.5 billion (23rd resolution).

(5) Amount to be included in the maximum total capital increase authorized under the 23rd resolution.

Employee share issues and/or issue of shares to executive directors

Corporate action	Resolution	Duration (expiration date)	Comments	Utilization during the year
Issuance of new ordinary shares	22nd	26 months (August 2022)	Less than 2% of issued capital	Issuance of 713,983 shares[1]
Share grants and performance share plans	25th	38 months (August 2023)	▶ Performance conditions over three years ▶ Capped at 0.9% of issued capital	Issuance of 588,960 rights[1]

(1) Please refer to sections 6.5.4 and 6.5.5.

Share buyback program

Corporate action	Resolution	Duration (expiration date)	Comments	Utilization during the year
Share buyback program	5th	18 months (December 2021)	▶ Statutory limit of 10% of issued capital ▶ Maximum price	Buyback of 880,605 shares[1]

(1) Please refer to section 6.5.6.

3.13 CHANGE OF CONTROL

Because the Company is organized as a *société en commandite par actions* (partnership limited by shares), any shareholder gaining control of the capital and corresponding voting rights could not exercise control over the Company without the approval, in accordance with the Bylaws, of the Non-Managing General Partner and/or, as the case may be, all of the General Partners and/or the Supervisory Board, which would be required to make the following decisions:

- election of new Managers;
- amendment of the Bylaws;
- election of new General Partners.

3.14 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 22-10-78 OF THE FRENCH COMMERCIAL CODE ON THE CORPORATE GOVERNANCE REPORT

In accordance with French professional auditing standard NEP 9510[(1)], the Statutory Auditors' review of the Supervisory Board's Corporate Governance Report, pursuant to Article L. 225-235 of the French Commercial Code, is described in the Statutory Auditors' report on the annual financial statements presented in section 5.3.3 herein.

(1) Norme d'exercice professionnel 9510 *(approved by the government order of October 1, 2018 published in France*'s Journal Officiel*, edition no. 0232, on October 7, 2018) on the subject of the Statutory Auditor's procedures relating to the management report, other documents on the audited entity's financial position and financial statements and information included in the Corporate Governance Report, as communicated to the members of the governance body called on to approve the financial statements.*

04. NON-FINANCIAL PERFORMANCE

2020 EMPLOYEE, SOCIETAL AND ENVIRONMENTAL INFORMATION

METHODOLOGY

SDG 12.6

DEFINITION OF CONTENT AND SCOPE OF REPORTING

Michelin is a French *société en commandite par actions* (partnership limited by shares) listed on the Euronext Paris stock exchange. As such, in every host country around the world, it applies the corporate social responsibility (CSR) reporting standards defined by French legislation.

This report primarily complies with Article L. 225-102-1 of the French Commercial Code (*Code de commerce*), which was created by Article 116 of the NRE Act and successively amended by Article 225 of the Grenelle II Act of July 2010, the Warsmann IV Act of March 2012, Article 173 of the Energy Transition Act of August 2015 and Government Order No. 2017-1180 dated July 19, 2017. This article requires every listed company in France with (i) an average of more than 500 employees under permanent work contracts, and (ii) more than €20 million in total assets or (iii) more than €40 million in annual net revenue to include in its management report a non-financial performance statement, disclosing how the Company manages the social and environmental impact of its business operations, as well as the impact of these operations with regard to upholding human rights and preventing corruption and tax evasion.

To strike the right balance between regulatory compliance, meeting stakeholder expectations (as increasingly expressed in emerging international reporting standards) and maintaining readability, the report is organized into two sections. The first, the Sustainable Development and Mobility Report, offers a common core of content addressing the shared expectations of all our stakeholders. This is followed by the Non-Financial Performance Statement (4.2) and the Duty of Care Plan (4.3), which are presented in the form of concordance tables, whose disclosure categories specifically refer to the related paragraphs in section 1 above and the Sustainable Development and Mobility Report below. In particular, this report has been prepared in accordance with the Core Option(1) for **GRI** compliance reporting (see the concordance tables on page 455 below). It also includes a cross-reference table with the **Sustainability Accounting Standards Board's Auto Parts standard**, on page 462.

REPORTING CYCLE AND PERIOD

The reporting cycle is annual, with this year's reported data covering the 12 months from January 1 to December 31, 2020.

INDICATORS

To ensure comparability of data, the indicators used in this Universal Registration Document have not been materially changed from last year's indicators. For the same reason, performance data in the key indicators have been reported over five years (2016-2020).

General scopes of reporting

The scope of reporting is the same as the "constant scope of reporting" described in the Universal Registration Document, i.e., **all of the Group's consolidated units with the exception of companies acquired in the last four years or whose impact falls short of the materiality threshold defined for the externalities under consideration**. Depending on the performance indicators and the issues at stake, different materiality thresholds may be applied. In these cases, the applicable scopes of reporting will be specified below.

Employee relations indicators

Michelin has redefined its employee information reporting process in compliance with Articles L. 225-102-1 and R. 225-105 of the French Commercial Code.

(1) *GRI 101-3: "This option indicates that a report contains the minimum information needed to understand the nature of the organization, its material topics and related impacts, and how these are managed."*

Data collection tools and reporting scope

Applications

Workday personnel management software has been used to manage employee data in the main consolidated companies since 2019.

Scope of reporting

Workforce numbers are consolidated at Group level. In recent years, the Michelin Group has made significant acquisitions, whose employee data are now being seamlessly integrated into the Group's Personnel Department information systems. Most of the employee information analyzed in compliance with Article R. 225-105 of the French Commercial Code – workforce numbers, working hours, health & safety data, labor relations, training, equal opportunity – concerns all of the Group's consolidated units except for the dealership networks and companies acquired in recent years[(1)], i.e., **74.6% of all employees on payroll. To ensure year-to-year comparability in tracking progress towards meeting the Group's Ambitions for 2020 objectives, this scope of reporting is referred to as "Ambitions 2020"** or **"constant scope of reporting"**. Unless otherwise specified, these data cover employees under all types of work contracts, except interns, apprentices and work-study trainees.

To extend the consolidated coverage of reported employee data, Euromaster human resources information has been added to the above scope of reporting. Known as **"Group Personnel"**, this combined Euromaster and "Ambitions 2020" scope **covers 82.0% of all employees on payroll.** The "Group Personnel" scope of reporting is used for indicators concerning safety (TCIR, TA+[(2)]), age categories (age pyramid), seniority, temporary employment contracts, part-time employees, and reports of ethics violations.

Each table and paragraph specifies the scope of reporting for the indicated data.

A summary table of 2020 employee data is presented in section 4.1.5.

Indicator consolidation method

Data were reported by the country organizations and companies in accordance with corporate guidelines. These guidelines describe, for every Michelin host country and member company, the process for compiling the information required by Article R. 225-105 of the French Commercial Code. They also specify the implementation and outside audit procedures that ensure that the process is managed efficiently and consistently across the organization. Lastly, they define the indicators or cite the references in which they are defined. Each country organization is responsible for the fairness and accuracy of the reported data. As part of a continuous improvement process, the Corporate Personnel Department audits the data on a monthly basis to ensure their accuracy and consistency.

Certifications

OHSAS 18001:2007 Occupational health and safety management systems.

- 4 *certified facilities.*

ISO 45001:2018 Occupational health and safety management systems.

- 7 *certified facilities*[(3)].

Societal indicators

The Group's engagement with local communities, through its employees and its Foundation, is designed to meet three objectives: development of the local economy, the personal growth of people in the community, and road safety. The resources allocated by the Group to community outreach programs and their real-world impact are reflected in the monetary value of the financial assistance provided, the time devoted by employees, the number of people benefiting from the programs, and the number of jobs created with Michelin's support.

Compliance with values such as human rights and the effective application of responsible procurement practices are assessed by independent organizations specialized in risk analysis (Verisk Maplecroft) and CSR ratings (EcoVadis).

(1) Ares, BlackCircle, Camso, CVB, Euromaster, Eurowheel, Fenner, Ihle, Klinge, Lehigh, Masternaut, Mon Tour en France, Multistrada, Nextraq, Oliver Rubber, Plantacoes E. Michelin, Plantacoes Michelin Da Bahia, Ptg, Rodaco, Sascar, Seva, Tablet, Teleflow, Tigar, Tplus, Tyredating and Wine Advocate.

(2) The TA+ indicator was introduced in 2018 to track the frequency, with or without lost time, of a list of accidents that the Group has prioritized. It supports a more granular approach to these accidents, while helping to improve the consistency of multi-country data. See: 4.1.3.2 c Measuring and tracking occupational accidents.

(3) The number of certified facilities is steadily increasing, in line with customer expectations and standards.

Environmental indicators

The environmental impact of Michelin facilities

Components and weighting of the **Michelin Environmental Footprint** (MEF) indicator

MEF site	Component		Weighting
	Resource consumption	Energy	15
		Water	15
	Air emissions	VOCs*	25
		CO2	15
	Waste	Total weight generated	15
		Total weight landfilled	15

* VOC: Volatile Organic Compounds.

Each of the six basic components is expressed in units per tonne of finished product.

Methodological note

The formula for calculating the MEF is as follows. By definition, the Group MEF was base 100 in 2005.

$$\text{MEF} = \frac{\text{Reporting year energy use (GJ/t)} \times 15}{\text{Group energy use 2005 (GJ/t)}} + \frac{\text{Reporting year water withdrawals } (m^3/t) \times 15}{\text{Group water withdrawals 2005 } (m^3/t)} + \frac{\text{Reporting year VOC emissions (kg/t)} \times 25}{\text{Group VOC emissions 2005 (kg/t)}} + \frac{\text{Reporting year } CO_2 \text{ emissions (t/t)} \times 15}{\text{Group } CO_2 \text{ emissions 2005 (t/t)}} + \frac{\text{Reporting year waste generated (kg/t)} \times 15}{\text{Group waste generated 2005 (kg/t)}} + \frac{\text{Reporting year waste landfilled (kg/t)} \times 15}{\text{Group waste landfilled 2005 (kg/t)}}$$

Data collection tools and reporting scope

Applications

Data are reported in the same format by every site around the world via a networked application. The reported indicators are defined and standardized in a reference guide that is used during internal audits and independent reviews.

Scope of reporting

In 2020, the scope of MEF reporting covered 78 production plants, natural rubber processing facilities and Technology Centers having a material impact on the environment. Data are collected for the 12 months from January 1 to December 31 of each year.

If a new facility is opened, it tracks MEF data from the first month of reported production. In the case of closure, the facility is removed from the MEF at the end of the calendar year in which it closed. The environmental data for these facilities are included in the MEF until the last month of reported production.

Recently acquired businesses are gradually integrated into the Group indicator through a process based primarily on aligning and consolidating their data.

Certifications

ISO 14001:2015 Environmental management systems.

- *92% of production facilities have been certified, covering 97.6% of tire output.*

ISO 50001:2018 Energy management systems.

- *4 certified facilities.*

Energy performance improvement system based on lean manufacturing principles and compliant with ISO 50001.

- *Deployed in 97% of the production facilities in the MEF scope of reporting.*

A new and improved environmental indicator

In 2021, the MEF will be replaced by the i-MEP.

The MEF, which has enabled Michelin to manage and demonstrate the steady reduction in its environmental impact since 2005, needs to be updated to reflect the extensive progress made and the emergence of new environmental challenges since its launch. In 2021, the MEF will be replaced by the **industrial-Michelin Environmental Performance (i-MEP) indicator**, which will track the environmental impact of the Group's manufacturing operations over the next ten years. Because 2020 cannot be considered as representative of a normal operating environment, 2019 figures have been used to calculate the 2020 baseline. The i-MEP will make the impacts easier to understand by focusing on five priority areas, as shown below.

MEF site

Component		Weighting
Resource consumption	Energy	15
	Water	15
Air emissions	VOCs*	25
	CO2	15
Waste	Total weight generated	15
	Total weight landfilled	15

i-MEP INDUSTRIAL Michelin Environmental Performance

Component	Weighting
Energy consumption	20
CO_2 emissions	20
Organic solvent use	20
Water withdrawals and stress	20
Waste production	20

The carbon footprint of products and services

Since 2014, Michelin has used the CDP Climate Change questionnaire to disclose its annual Scope 3 indirect GHG emissions from activities in both the upstream and downstream value chain. As in the case of Scope 1 and 2 emissions, they are measured using the guidance published in *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)*[(1)] and its supplement *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*[(2)]. Scope 3 calculations enable the Group to lead action plans with suppliers and other partners to reduce CO_2 emissions.

All figures disclosed in this report are estimates, with levels of uncertainty ranging from ±10% to ±30%, depending on the category of Scope 3 emissions. Outside the boundaries of operational control, it is difficult to obtain reliable primary data. Given the quality of secondary data, the assumptions made in the absence of certain data, and the current state-of-the-art in the CO_2 emission factors found in the main databases (e.g., www.ecoinvent.org), the levels of uncertainty remain fairly high. As a result, overall Scope 3 emissions data, including all the relevant corporate value chain activities, are updated every three years. However, each year priority activities are selected to apply improved methods and input higher quality data. These activities have been assigned a reduction target and/or represent a significant portion of the total. Overall Scope 3 data were last updated in 2020 for the 2020-2022 reporting cycle. All of the 2020 Scope 3 calculations were audited in accordance with ISAE 3000 by an independent third party, which expressed moderate assurance that the calculations were made in compliance with the protocols mentioned above.

FAIR, VERIFIABLE DATA

For the fourteenth consecutive year, Michelin's CSR data were reviewed by PricewaterhouseCoopers, the Statutory Auditors designated as an independent third party. In 2020, for the second time, their review was conducted in accordance with the enabling decree of August 9, 2017, which defines guidelines for independent third parties in performing their review of the Non-Financial Performance Statement. Following the review, PricewaterhouseCoopers issued a report attesting to the presence and fairness of the required information.

4.1 SUSTAINABLE DEVELOPMENT AND MOBILITY REPORT

INTRODUCTION – MICHELIN SUSTAINABLE DEVELOPMENT AND MOBILITY

Approach

Michelin's "All Sustainable" vision informs everything it does to fulfill its corporate mission of offering everyone a better way forward. In particular, it ensures that all of the Group's improvement objectives and targets are addressed at every stage in the definition and deployment of the Group's strategy.

(1) World Business Council for Sustainable Development and World Resources Institute.
(2) World Resources Institute and World Business Council for Sustainable Development, September 2011.

Governance

The Group's CSR governance system is based on the guidelines in the ISO 26000 (Social Responsibility), ISO 14001 (Environmental Management) and ISO 20400 (Sustainable Procurement) standards.

Oversight by the Group Management Committee

The Group Management Committee tracks progress on sustainable development and mobility at dedicated meetings held twice a year.

The Committee includes all the members of the Executive Committee as well as the heads of the following functions: Legal Affairs, Purchasing, Finance, Information Systems, Internal Control, Audit and Quality, Strategy, Supply Chain, Corporate and Business Services, China Region and North America Region.

Led by the Executive Vice President, Sustainable Development, these sessions verify that steady progress is being made towards the Ambitions 2020 targets and validate the strategic objectives of the Ethics Committee and the Environment, Human Rights and Employees Health & Safety Governance bodies, including the management of the Group's non-financial risks and their internal control.

A CSR Supervisory Board committee

In 2020, the Supervisory Board decided to set up a CSR Committee to analyze in detail the issues involved in Michelin's corporate social responsibility and to support Board deliberations, recommendations and decisions in this area.

The membership, responsibilities, procedures and deliberations of the CSR Committee in 2020 are presented above in section 3.2.11 Corporate Social Responsibility Committee (CSRC).

Coordinated management of the all-sustainable approach

Challenges and Performance

In line with the latest guidance issued by the European Securities Markets Authority (ESMA) on the risk factors to be discussed pursuant to the revised European prospectus directive, the main CSR risk factors identified by the Group have not all been reviewed in the "Risk Management" section (see section 2.1 Risk factors specific to Michelin, description and related management systems). This is because these risks, which have long been addressed by Michelin, have been effectively attenuated by the prevention systems in place across the Group. Moreover, while most of the issues raised by these risks are already considered to be among the Group priorities in its materiality matrix, they do not seem to be necessarily specific to Michelin, within the meaning of Regulation (EU) 2017/1129 of the European Parliament.

Materiality Matrix

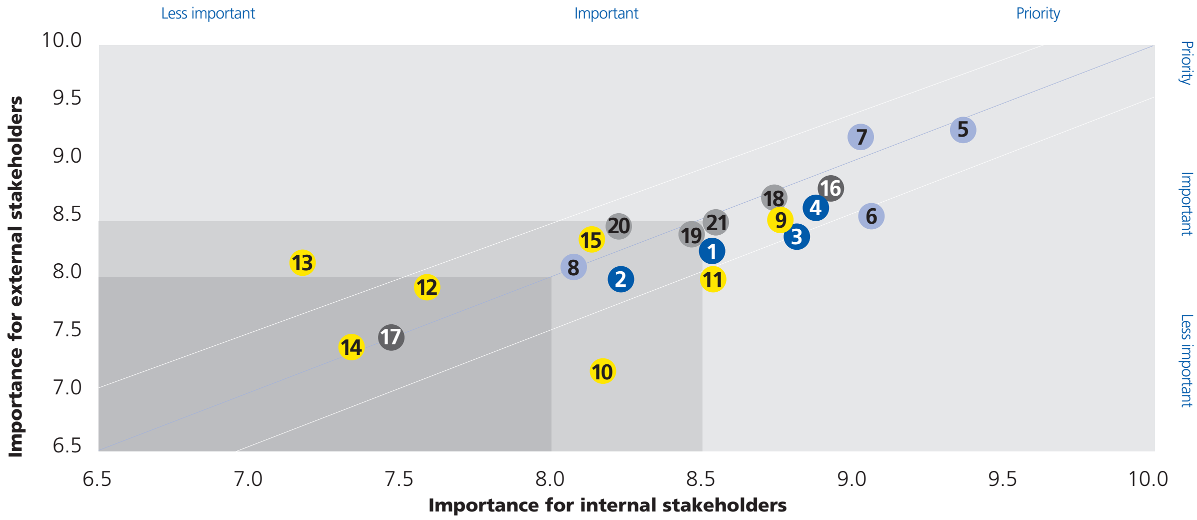
To define and manage its main social responsibility issues, the Group has prepared a materiality matrix, which serves as a frame of reference in identifying the main risks that structure this Non-Financial Performance Statement. The issues identified in the matrix represent not only potential risks, but also opportunities for growth and business development. For this reason, the materiality matrix is closely aligned with the risk map, with updates to one resulting in changes in the other. Moreover, unlike the risk map, the materiality matrix also incorporates the perception of Michelin stakeholders.

First developed in 2018, the materiality matrix is based on the findings of surveys of external stakeholders and Michelin employees in seven countries (Brazil, Canada, China, the United States, France, India and Poland) that are representative of the Group's business base.

This process involved six phases. After an initial period of qualitative preparation to give the polling organization a thorough understanding of the Group and its industry, the second phase selected the issues to assess, based on general trends (demographics, transportation, consumer spending patterns, growth or decline in resources, etc.), benchmarks, specific features of the transportation industry, and issues identified in the previous matrix. Thirdly, the external stakeholders in each country were identified. Then, four to ten face-to-face interviews were organized in each country, prior to conducting an online survey, with a panel of 50 to 100 respondents per country. The fifth phase was to perform the same survey of Michelin employees in the same countries. Lastly, the responses of these external and internal stakeholders could be compared and analyzed, in order to build the materiality matrix.

The matrix has revealed:

- a general convergence among external stakeholders and Michelin employees concerning the relative importance of the various issues;
- the importance, for a company like Michelin, of getting involved in every aspect of sustainable development, including the environment, human rights, relations with local host communities, ethics and governance;
- the role that Michelin is expected to play in building and promoting sustainable mobility;
- the Group's responsibility in its operations and in the growth and development of its employees.



Our Commitments to Sustainable Development and Mobility

1	Transparency	3	Commitment to accessible, clean, sustainable and responsible mobility
2	Staff commitment to Sustainable Development	4	Sustainable, responsible governance
Ethics and compliance			
5	The safety of users of Michelin products and services	7	Business ethics
6	High-performance, competitive, responsible products and services	8	Responsible purchasing
Human rights			
9	Respecting human rights and duty of care	13	Impact on local communities
10	Diversity of teams	14	Reasoned/balanced development in emerging countries
11	Staff development	15	Dialogue with stakeholders
12	Contribution to the development of local communities		
Employee health and safety			
16	Health and well-being of staff	17	Impact of digital technologies on our working methods
Environment and climate change			
18	Environment (as a Group performance indicator)	20	Eco-design of our products and services
19	Energy transition and carbon reduction	21	Sustainable, responsible operations

The materiality matrix is updated every two or three years, with the next review scheduled for 2021. It will focus on both identifying issues and determining their importance for stakeholders.

Indicators

In 2013, six ambitious objectives were set for 2020, with targets and performance indicators[1] defined for each one. Managed on an annual basis, these objectives have enabled the Group to drive continuous improvement in all of its financial, environmental, employee and social responsibilities, as embodied in its "All Sustainable" vision.

In addition to these Ambitions, Michelin has long deployed clearly defined processes and meaningful indicators capable of tracking and improving its corporate social responsibility performance. The outcomes of the most important of these processes and indicators are presented in this report (see also section 4.1.6 2013-2020 Ambitions).

Non-Financial Performance Statement: Michelin, a recognized All Sustainable approach

There are a wide variety of indices, labels and ratings available to analyze a company's non-financial performance. To assess its own performance as objectively as possible, the Michelin Group tracks the ratings and scores assigned to it by the leading internationally recognized rating agencies.

SUSTAINALYTICS *2020*	MSCI *2020*	CDP *2020*	ECOVADIS *2019*	ISS-OEKOM *2019*	VIGEO EIRIS* *2018*
LOW RISK	AA	LEADERSHIP	Gold	Prime	A1+
15.2	8.4/10	A-	78/100	B-	68/10

* *Due to the date of publication, the Group's performance could not be compared against the industry's in 2019.*

Michelin has maintained its presence in the **Ethibel** index (Excellence Europe and Excellence Global), the **Euronext Vigeo Eiris** index (France 20, Europe 120, Eurozone 120, World 120) and the **FTSE4Good** index.

Helping to meet the United Nations Sustainable Development Goals

By measuring its actions against the United Nations Sustainable Development Goals (SDGs), Michelin hopes to respond more effectively to rising stakeholder expectations for better CSR communication, and to gain greater insight into its future challenges.

In the same way as the content of this Sustainable Development and Mobility Report (section 4), the Growth and Value Creation Model presented in section 1 correlates the Group's commitments for 2030 with the main objectives of the related SDGs.

This approach is presented in more detail on the Group's corporate website: https://www.michelin.com/en/sustainable-development-mobility/performance-transparency/un-sustainable-development-goals/.

In 2020, Michelin initiated a working group on the UN sustainable development goals with all the member companies of the Tire Industry Project (TIP), which together account for more than 60% of the world's tire production. In 2021, the group hopes to issue a roadmap identifying the tire industry's main impacts, along with the levers for action that companies can activate across their value chain, to align their contribution with the framework offered by the UN Sustainable Development Goals.

(1) *See section 4.1.6 2013-2020 Ambitions.*

SUSTAINABLE DEVELOPMENT GOALS

	Customers	Employee well-being and development	Financial performance	Product performance	Responsible industry	Local communities
1 NO POVERTY						4.1.2.5 b, c, d
2 ZERO HUNGER				*see Michelin.com*		4.1.2.5
3 GOOD HEALTH AND WELL-BEING	4.1.1.1	4.1.3		4.1.1.1	4.1.4.3	4.1.2.5 c, d
4 QUALITY EDUCATION		4.1.2.4				4.1.2.5 c, d
5 GENDER EQUALITY		4.1.2.2 b, c				4.1.2.5 c, d
6 CLEAN WATER AND SANITATION					4.1.4.3 f	
7 AFFORDABLE AND CLEAN ENERGY					4.1.4.3 c	
8 DECENT WORK AND ECONOMIC GROWTH		4.1.2.1 4.1.2.2 b	*Section 5*	4.1.4.2	4.1.4.3	4.1.2.5 b
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE				4.1.4.2	4.1.4.3	
10 REDUCED INEQUALITIES		4.1.2.2				4.1.2.5 c, d
11 SUSTAINABLE CITIES AND COMMUNITIES				4.1.1.1	4.1.4.3	4.1.2.5 d
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	4.1.4.2 c			4.1.4.2	4.1.4.3	
13 CLIMATE ACTION				4.1.4.2	4.1.4.3	
14 LIFE BELOW WATER					4.1.4.3 f	
15 LIFE ON LAND					4.1.1.3 c 4.1.4.4	4.1.2.5 c, d
16 PEACE, JUSTICE AND STRONG INSTITUTIONS					4.1.1.2 b	
17 PARTNERSHIPS FOR THE GOALS		4.1.2.1 a			4.1.4.2 c	

Contribution to the objective: Low Moderate High

4.1.1 ETHICS AND COMPLIANCE

Michelin is formally committed to respecting ethical standards and fighting corruption.

The Ethics Committee

The Ethics Committee is chaired by the General Manager, who also represents the Corporate Finance Department. It also includes seven other standing members representing the Customer Experience Business Unit, the Sustainable Development and Mobility Department, the Corporate Internal Audit, Risk Management, Internal Control and Quality Department, the Purchasing Business Unit, the Corporate Legal Affairs Department, the Corporate Information Systems Security, Safety & Security and Environment Department, and the Corporate Personnel Department.

The Committee, which meets at least four times a year, promotes the Group's ethical culture, oversees the Group's commitment to ethical practices, defines the Group's ethics strategy, ensures that regional initiatives are consistent with Group guidelines (via the regional ethics committees) and validates the Group's ethics program, the related policies and the actions required to drive continuous improvement.

4.1.1.1 Guaranteeing the quality of our products and services SDG 3.6 and 11.2

Offering our customers the finest quality products and services in each market segment we decide to serve

Risks related to the safety and performance of products and services

Tires, which are still Michelin's core business, play an important role in vehicle safety.

Risk factors

Tires are still Michelin's core business, in which it holds robust leadership positions around the world and across every operating segment: automotive, road transportation (bus and subway tires) and specialty markets (two-wheel, aircraft, earthmover, agriculture, construction and materials handling tires).

Like all tiremakers, if defects were to appear in its products during their use or if they failed to comply with applicable regulations, Michelin could be faced with liability claims or be required to recall the products.

Specific nature of the risk

Michelin's focus on customer needs and the quality of its products and services has built confidence in the MICHELIN brand and contributed to the Group's performance.

Although there have been no material events in recent years, should a safety failure occur, this would have a serious adverse effect on the reputation of the MICHELIN brand.

Michelin Quality

Since its founding, Michelin has always nurtured a powerful quality culture. Enhancing the mobility of people and goods requires an uncompromising attitude towards the safety and quality of every product and service. Every Group employee, at every point in the value chain, is trained and engaged in delivering Michelin Quality to his or her customers.

The product and service quality governance system comprises:

- a Corporate Audit, Quality, Internal Control and Risk Management Department, which reports to the Group's management bodies;
- a Quality Network at the operations level, comprising the Quality Departments in the business lines, operating units and regional organizations.

The governance system defines the Group's quality policies, including quality guidelines and standards underpinning its ability to sustainably deliver high value-added products and services to its customers and nurture their trust, as well as the trust of all of its other stakeholders.

In each of the major areas of quality control – raw material and component procurement, product and service design and product manufacturing – the quality teams are empowered to perform their role and mission independently, including when deciding to bring a new product to market or to recall a product that does not comply with Group quality standards.

Revised in 2020 and integrated into the Michelin Purchasing Principles, the Supplier Quality Assurance process specifies how Michelin intends to apply its quality policies in its supplier relations and in managing the quality of purchased products and services. The process of selecting suppliers, and then monitoring their performance, involves more than 200 supplier quality system audit (ESQF) procedures and on-site technical inspections performed by experienced Michelin quality auditors and technical experts in each field[(1)].

The audit framework is based on Michelin standards that reflect the ISO 9001:2015 and IATF 16949:2016 quality standards and the specifications of OEM customers. Following each audit, Michelin auditors assign a score to the supplier, who must agree to take any corrective action required in response to the audit findings. If necessary, a follow-up audit or technical inspection is scheduled.

The annual audit plan is validated and tracked by a governance body comprising representatives from the Purchasing, Quality, Technical and Manufacturing departments.

In the case of product design and manufacturing, the Michelin Quality Approach is defined and instilled into every aspect of these processes by a quality organization supported by a quality management system. This approach is designed to manage and continuously improve how the Group operates to guarantee quality throughout the design and production of its products and services and, more generally, fulfill its customer promises. It defines the fundamental practices that are integrated into employee training so that they are understood and applied by everyone in their respective areas of responsibility.

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.

To verify the compliance of its quality management system, Michelin regularly seeks certification from independent organizations. As such, all of its tire manufacturing plants and support processes have been certified to ISO 9001:2015 standards.

In response to automaker customers, the plants that manufacture and deliver original equipment tires have been certified to IATF 16949:2016 standards, which specifically describe the development and production processes for auto parts.

Regulatory compliance of the products delivered by the Group to customers is evidenced by internal tests conducted in accordance with the most demanding safety standards, conformity of production (CoP) tests, and regulatory product inspections performed by government-mandated organizations.

Michelin has a network of material measurement laboratories and tire testing centers in Europe, Asia and the United States, which are all certified to the NF EN ISO/CEI 17025 standard.

In 2020, more than 40,000 tires were tested over 40 million kilometers on vehicles or machines.

Another significant focus of the Group's quality standards is to ensure that Michelin-delivered products and services are aligned with customer usage conditions. The marketing and sales teams constantly strive to understand customer needs and the potential risks arising from unusual or extreme conditions of use in the geographies where the products and services are sold. Their feedback is noted in the specification sheets and addressed by the research and development teams. Advice and support in the proper use of products and services is provided through technical brochures and training, including an ongoing, Michelin-led program of customer training courses.

Michelin has also deployed a system for constantly tracking the real-world performance of its products and customer service in order to detect even the most latent issues and respond quickly and effectively if necessary. This system is based on:

- customer rooms, located close to key markets and equipped with all the necessary capabilities, that capture customer dissatisfaction and then respond, as quickly as possible, with the initiatives that effectively fulfill the customer promise. If necessary, they can hand the problem over to the Quality Platforms;
- Quality Platforms, generally organized by product segment, that oversee the tracking of in-market product performance. They review all available information and data to assess any impacts on the safety of product users. This information may come from outside, via the customer rooms or other sources, such as in-use safety incident reports, or from in-house, via alerts from the design, manufacturing or test teams.

In a situation where a product or service designed and/or manufactured and/or marketed by the Michelin Group and/or bearing one of the Group's brands exposes customers to a potential or proven safety risk, the appropriate Quality Platform will initiate a dedicated process, defined and supervised by the Corporate Quality Department, to assess the potential impact on customer safety. If need be, a decision may be made to recall the product from the market to ensure customer safety. Such voluntary recalls are consistently carried out in compliance with legislation applicable at the date of the decision.

In 2020, across the entire Group, all of its brands and all of its products, six recalls were issued, concerning 1,976 products of the total 200 million or so manufactured every year by the Group**.**

[SASB TR-AP-250a.1]

The two largest recalls concerned:

- 719 snowmobile models, mainly in North America, after reports that some brake assemblies could experience a loss of pressure, thereby reducing the braking system's power and lengthening stopping distances;
- 626 truck tires in the Asia-Oceania region, which were recalled as a precautionary measure after detection of an anomaly that caused the tires to fall short of Michelin's internal standards.

(1) See 4.1.1.3 Demonstrating our social commitments through responsible procurement policies.

All of the recalls were issued voluntarily as a preventive measure and carried out in a fully transparent manner. Each one specified the model number, date of manufacture and other information enabling the recalled product to be easily identified, as well as a description of the defect, an assessment of the risks and the corrective actions taken. Where applicable, regulatory authorities were informed in full compliance with prevailing legislation and guidelines.

Stakeholders such as automakers, wholesalers, dealer networks and customers were also informed through appropriate channels. During each recall campaign, a multidisciplinary team managed deployment of the action plan in accordance with Group procedures. To assess the recall's effectiveness, the campaign is continuously and systematically tracked by the Quality Department.

The Quality Approach has been enhanced by the Customer Promise Guarantee, which is designed to deliver total customer satisfaction. Applied to every aspect of the business, it ensures that the Group:

- knows its customers and markets;
- develops products and solutions aligned with their needs;
- fulfills its commitments in implementing its solutions;
- clearly communicates its Promises to customers;
- detects shortfalls and responds quickly;
- measures customer satisfaction.

These six steps could not be implemented without the foundation underpinning the Customer Promise Guarantee: management's unflagging commitment, employee capabilities, demanding standards, reliable data and trustworthy indicators.

Net Promoter Score® (NPS®) has been chosen as an indicator to measure customer satisfaction and, if needed, to take corrective action to improve it.

Because Michelin serves a very diverse array of customers – consumers, businesses, truck fleets, vehicle rental companies, mining companies, airlines, carmakers, tire dealers, auto accessory dealers, wholesalers and high-tech materials customers – it was decided to calculate the NPS® for approximately 70 "clusters," representing significant markets that account for 90% of Group sales, and assign each one an annual NPS® target. **In 2020, 76% of these clusters met their target,** versus 67% in 2019.

To track improvements more effectively, two new indicators will be created in 2021:

- the "End Customer" NPS, a weighted average of the consumers and business customers macro-clusters;
- the "Partners" NPS, a weighted average of the OEMs and dealers macro-clusters.

In addition, the impact of every employee's engagement in delivering Michelin Quality to customers may be measured by the many awards, distinctions and ratings presented to Michelin by customers, leading specifiers and agencies polling consumer satisfaction with regard to product quality.

In North America, for example, for the 17th consecutive year, Michelin earned top customer satisfaction scores in the annual J.D. Power® Original Equipment Tire Satisfaction Survey. Drivers gave Michelin higher satisfaction ratings in two of the three segments in the study. Michelin has won a total of 93 J.D. Power® awards since the study began in 1989, more than any other tire manufacturer.

An active role in ensuring consumers' safety on the road and safeguarding the environment

Tire and road wear particles

Factoring in the environmental impact of its business activities is a major concern at Michelin. That's why the Group is proactively engaged with the industry in analyzing the potential impacts from tire and road wear particles (TRWP). Generated by the friction between tires and the road surface, TRWP are a mixture of tire tread material and road pavement material.

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)(1) to collect, characterize and understand both their composition and distribution, as well as their potential impact on the environment and human health.

In addition, Michelin continues to carefully track the research being conducted worldwide that could serve to enhance current scientific knowledge. A wide variety of studies conducted by the TIP and other research organizations are providing converging signals that TRWPs account for a small percentage of total urban air pollution particles. Moreover, according to a recent study commissioned by the tire industry, only 2% to 5% of TRWP released into the environment could reach estuaries and potentially the marine environment(2).

In 2020, the TIP publicly released its TRWP research studies at https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/Resources/Tire-Road-Wear-Particles-Papers.

The CEOs of the TIP member companies decided to add to existing knowledge by launching a new cycle of TRWP research projects for the 2020-2021 period, addressing areas such as:

- sampling of 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 from long-term exposure to TRWP.

(1) *Tire Industry Project: Launched in 2005, the Tire Industry Project is a voluntary initiative dedicated to addressing the tire industry's sustainability challenges and issues. It currently comprises 11 of the world's leading tiremakers: Bridgestone Corporation, Continental AG, Cooper Tire & Rubber Company, The Goodyear Tire & Rubber Company, Hankook Tire Company, Kumho Tire Company, Inc., Groupe Michelin, Pirelli Tyre SpA., Sumitomo Rubber Industries, Ltd., Toyo Tire & Rubber Company Ltd., and Yokohama Rubber Co., Ltd. The TIP operates under the auspices of World Business Council for Sustainable Development (WBCSD).*

(2) *This research is available to the public at https://www.tyreandroadwear.com/.*

Similar research is being pursued by the European Tyre and Rubber Manufacturers Association (ETRMA), which in July 2018 launched the Tyre and Roadwear Platform, a multi-stakeholder platform, facilitated by CSR Europe, dedicated to sharing scientific knowledge and co-designing mitigation options to reduce the environmental impact of TRWP.

Working with representatives from governments, academia, non-governmental organizations and industries, it seeks to foster open, inclusive dialogue among all stakeholders, in order to holistically explore the TRWP challenge.

The Michelin Group is double committed to reducing tire abrasion, both individually, to reduce particle emissions from its own products through strong, quantified commitments; and collectively, with industry stakeholders, to support the development of regulations in collaboration with public authorities and contribute to deeper scientific understanding of TRWP. The Group is in favor of setting regulatory tire abrasion thresholds in order to limit particulate emissions.

Independently of the various studies currently being conducted on this question, Michelin remains committed to decreasing wear particle emissions from its own tires, which have already been reduced by 5% since 2015. Michelin is going to pursue this effort and will issue an additional reduction commitment in 2021[1].

Minimum performance standards

European legislators have introduced minimum tire-performance standards, as specified in Regulation (EC) No. 661/2009 and United Nations' ECE Regulation 117. Michelin supported the drafting and introduction of this type of regulation, offering data and other input to help define the minimum performance levels. These standards cover:

- rolling resistance;
- noise;
- wet grip.

They are designed to limit a tire's environmental impact and improve road safety. Introduced in 2012 for all new products, the legislation has been gradually extended, in precisely defined phases, to products already on the market. Compliance of new Passenger car, Light truck and Truck tires is verified by government technical services when the product is certified. Stricter rolling resistance thresholds derived from Regulation No. 117 have been applied in the European Union since November 2016. Standards setting an even higher level of performance in each of the three factors have been proposed by the EU and are under study for application in 2020-2024.

The setting of regulated performance levels, which was originally a European initiative, is now being extended via UNECE Regulation No. 117, in legislation passed by countries that signed the UN's 1958 agreement concerning uniform technical prescriptions for wheeled vehicles. Examples include Turkey in 2012, Norway and South Korea in 2013 and Israel in 2014. Brazil introduced similar legislation in 2015 and Japan is planning to do the same by 2024. The UN regulation came into effect in Russia in 2017.

The United States and India have decided to introduce at some future date the same type of standards to protect the environment and improve consumer safety. Other countries, like China, South Africa, Morocco, Thailand and the Gulf States, are also discussing such measures. In each of these countries, Michelin has been favorable to the application of these standards and when requested, is helping to define the minimum requirements.

Tire labeling

In its Communication of October 19, 2006 entitled "Action Plan for Energy Efficiency: Realising the Potential", the European Commission demonstrated the possibility of a 20% reduction in the EU's total energy consumption between now and 2020 by presenting a list of targeted actions, including an energy performance labeling system for tires. Introduced by Regulation (EC) No. 1222/2009, such a system became mandatory in 2012 for passenger car and van tires.

Michelin supported and helped to shape the regulation, which also sets standards for tire rolling resistance, noise and wet grip.

It is designed to give tire users, fleet managers and trucking companies more information about fuel efficiency and other tire parameters, so that they can easily compare different makes of tires based on a harmonized labeling and testing system.

Moreover, the regulation provides for compliance testing of its performance standards, in order to sustain the system's reliability and credibility. Other countries have passed similar legislation for certain tire categories, including Turkey in 2012, Norway and Israel in 2013, Saudi Arabia in 2015, South Korea in 2012 and 2014, and Brazil in 2015 and 2016. Japan introduced a voluntary system in 2010. In late 2007, the United States and India decided to implement a labeling system in the future. Other countries, such as China, Morocco, Thailand and the Gulf States, are also examining the possibility. For each of these countries, Michelin, when requested, is helping to define the regulation.

Following a review procedure that began in 2016, a new version of the regulation was proposed by the European Commission in May 2018 and approved in 2019. Among other upgrades, it would improve consumer awareness by having the "3PMSF snow" and "ice" icons displayed on the label and technical information registered on a publicly accessible database. Label information will be extended in the future to other performance parameters, such as the rolling resistance of retreaded tires or tire abrasion, as soon as suitable testing methods are available. This new labeling regulation was published in second-quarter 2020, and will come into effect on May 1, 2021.

In 2020, the Group did not incur any fines or penalties for non-compliance with regulations and/or voluntary codes concerning product and service information and labeling [GRI 417-2].

(1) This information was added after the review by the independent third-party and was therefore not subject to its review procedure.

The impact of tires on vehicular CO_2 emissions

The rolling resistance of Passenger car, Light truck or Truck tires accounts for 15% to 30% of a vehicle's fuel consumption and CO_2 emissions, depending on its size, use and how it is driven. This is why Michelin is encouraging the use of vehicular carbon emission assessment methods that are precise enough to accurately ascertain the contribution of the various non-powertrain factors, including tire rolling resistance(1). This approach would encourage greater transparency from suppliers and more competition on technical issues.

Passenger and freight vehicles

In the United States, the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) have issued Phase 2 of their greenhouse gas emissions and fuel efficiency standards for medium and heavy-duty engines, scheduled to come into effect in 2021. Even stricter standards are being planned for 2024 and 2027. These standards stipulate that, before certification, a new vehicle must be tested for compliance using the Greenhouse Gas Emissions Model (GEM) simulation tool, one of whose variables is the tires' rolling resistance.

In Europe, the Vehicle Energy Consumption Calculation Tool (VECTO) developed for the European Commission serves as the basis for Regulation (EU) No. 2017/2400 on the determination of CO_2 emissions and fuel consumption of heavy-duty vehicles. The regulation, which will be gradually applied to heavy trucks manufactured from January 1, 2019, takes into account the energy performance of a vehicle's different components, including tire rolling resistance. The latter is certified by approval authorities and regularly measured during the production conformity testing process.

A proposal to extend the regulation and the VECTO simulation tool to buses, coaches and heavy vans has been in discussion since late 2018.

European authorities have defined maximum CO_2 emissions levels, measured based on the initial standards.

By participating in a technical capacity in the different working groups, Michelin is facilitating the introduction of calculation models and procedures that accurately reflect vehicle fuel efficiency in actual use by taking into account the impact of tires and a range of other variables.

Passenger car tires

The level of CO_2 and harmful emissions from light vehicles can also be measured by the new Worldwide Harmonized Light Vehicles Test Procedures (WLTP), defined by the United Nations with input from India, Japan, Russia, the European Union and many other countries. Michelin encouraged the working group to factor in the influence of tire rolling resistance in ways as close as possible to actual driving conditions. The new procedures, whose phase-in across the EU began in September 2017, will provide a more accurate measurement of CO_2 emissions from vehicles in actual use.

Winter tires

Many countries, particularly in Europe, now require drivers to fit winter tires on their vehicles, either for a given period or when demanded by weather conditions, or else in particular regions or at particular times. However, while these rules generally stipulate that only manufacturer-marked Mud and Snow (M+S, M.S. or M&S) tires may be mounted, such markings do not correspond to the tire's demonstrated performance in snowy conditions. Michelin is urging that national highway codes be amended with an obligation to fit only winter tires marked with the Three-Peak Mountain Snow Flake (3PMSF) symbol, which means that they have demonstrated minimum required snow grip. Germany introduced this rule in March 2017 and Sweden in 2019.

Worn tire performance

The existing minimum standards for rolling resistance, noise and wet grip concern the measured performance of new tires. However, newness is fleeting and a tire's performance evolves as it wears. In the case of rolling resistance and noise, for example, performance remains the same and sometimes actually improves with wear, so it makes sense to define their minimum standards on the basis of a new tire, as is currently the case. On the other hand, a tire's wet grip declines as it wears. In 2019, the EU approved the introduction of a regulation governing the wet-grip performance of worn tires. Michelin is participating in the United Nations working group that is developing the regulatory method for introducing a minimum wet grip performance standard on worn tires still within the legal wear limit, so as to ensure that tires deliver at least minimum acceptable performance throughout their useful lives.

Compliance with materials standards

A multidisciplinary team of experts continuously tracks changes in regulations governing chemicals, the environment and health, enabling the Group to factor them into its strategic planning and product design processes.

(1) See section 4.1.4.2 Attenuating the environmental impact of products and services.

Michelin supports the standardized use of RFID chips to track tires

Embedding a unique RFID tag into every tire will ultimately enable the entire industry to track its products across their life cycles, from manufacture to recycling, thereby improving the management of their environmental impact and the safety risks due to manufacturing defects. Moreover, RFID chips can transmit a variety of tire data that could play a critical role in developing new sustainable mobility solutions based on connected tires. For all these reasons, Michelin is actively encouraging the ISO standardization of RFID-based tire identification systems, by sharing its expertise in this area with other tiremakers. It is also supporting the introduction of standardized access to digital tire data, in order to promote the development of new services that will help to make mobility more sustainable.

An active private-sector stakeholder in safe mobility partnerships

With the number of worldwide traffic fatalities remaining at an unacceptable 1.35 million people a year (according to the World Health Organization’s Global Status Report on Road Safety), the ambitious goal of halving the number of global deaths and injuries from road traffic collisions by 2030 has been included in the UN Sustainable Development Goals (SDG 3.6).

Capitalizing on the partnerships it has forged with both public and private stakeholders and consolidated over the years, Michelin is now leading the public sector forward on the path to safe mobility. The Group's affirmation of this leadership strategy translates into a broadening of the scope of "road safety" towards “safe mobility” – one of the four pillars of sustainable mobility. In this way, its impact has been broadened to a wider audience and ties into several other sustainability-related themes, such as equality, public health, urban development and climate change.

In line with its tradition of forming close, long-term partnerships, Michelin has pursued its global commitments with organizations as diverse as the United Nations Road Safety Collaboration (UNRSC), the Global Road Safety Partnership (GRSP), the FIA High Level Panel for Road Safety and Youth for Road Safety (YOURS). In connection with these commitments targeting the "safe mobility" pillar, Michelin is also continuing to actively participate in the global Sustainable Mobility for All (SuM4All) initiative led by the World Bank. As the only private-sector representative on the Steering Committee, Michelin, through its Corporate Foundation and local teams, contributed to a pilot sustainable mobility project in South Africa.

With the support of the FIA and its local automobile clubs, Michelin successfully deployed a number of programs around the world in 2020.

- In Argentina, the creation of CarDriverXP, an online driving simulator video game in which players must complete a series of driving challenges. The game helped to support a safe mobility campaign that reached around seven million people (15% of the Argentine population) and won a prestigious Argentine CSR award in the “Corporate” category. Essilor and Total contributed to the campaign’s success by jointly sponsoring advertising for the CarDriverXP initiative.
- In Thailand, the distribution of 1,500 children’s helmets and sunglasses in the form of a digital experience. Despite the Covid-19 health crisis, three million people were reached by the “Check Your Vision – Check Your Tires” safe mobility awareness campaign organized with our partners, FIA Thailand and Essilor.
- In China, the “Safe Roads, Safe Kids” campaign in Beijing and Shanghai, which earned Michelin two recognitions and one award: the 2020 Excellence Award "Innovation and Sustainability" from the Shanghai Daily, at its annual conference on corporate social responsibility in China; the "2020 Responsibility Case” from the Southern Weekly and the Action League 2020 "Special Contribution Award” on Enterprise Category from iFeng, a subsidiary of iFeng.com, one of China’s leading portals. The award honored Michelin’s outstanding contribution in the field of public welfare on children’s mobility safety, which garnered more than 8.5 million views.

The United Nations Road Safety Trust Fund (UNRSTF), whose long-term mission is supported by both member States and private stakeholders, has elected Michelin to its Steering Committee as a representative of the private sector. A $1 million donation from the Michelin Foundation helped to fund five pilot projects. These projects, which concern key aspects of national security systems, are now well underway and are already delivering positive outcomes.

VIA, the independent road safety education program developed by the Total Foundation and the Michelin Corporate Foundation, has been deployed in more than 250 schools in eight countries: Cameroon, France, India, Kenya, Mauritania, Morocco, Romania and Tanzania. Designed by road safety and education experts, VIA takes an innovative instructional approach focused on life-affirming messages and the acquisition of safe ways to behave in traffic. It is based on active, emotional and creative teaching methods that have proven more effective in instilling best practices than conventional methods.

4.1.1.2 Ensuring ethical business practices SDG 16.5

Risk of ethics violations

Risk factors

Michelin pays particular attention to the risk of ethics violations and expects every employee to act consistently with integrity and in respect of the internal and external standards that have underpinned its corporate culture for over a century. Any conduct that runs counter to these values could expose the Group to the risk of an ethics violation.

Note that the Ethics risk family includes a risk factor specifically addressing the social responsibility of Group suppliers (see section 4.1.1.3).

4.1.1.2 a) Establishing a global ethical framework

Code of Ethics

Michelin's business practices are governed by a Code of Ethics, applicable across the entire Group, although certain member companies, like Euromaster, have their own Codes. Practical guidelines, in particular as concerns aspects of corruption and purchasing, have also been issued. Published in 2010, updated in 2014 and republished in 2020 with an introduction by the two current Managers, the Code builds upon the Performance and Responsibility Charter and the Group's compliance guidelines and policies.

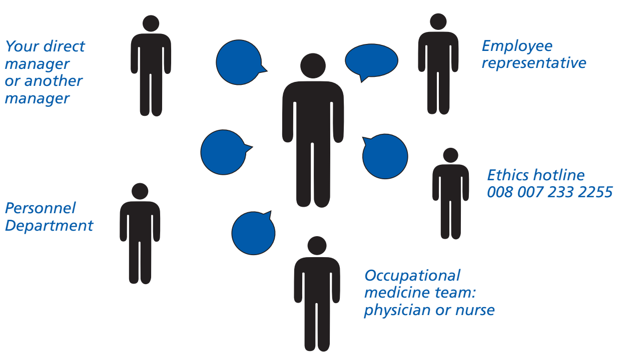
The Code is organized around 17 issues, most of which are covered by a document specifying in detail their guiding principles and the recommended employee behavior. Privacy issues, for example, are addressed in more detail in the General Privacy Policy and its supporting documents.

The Code of Ethics was deployed first by region, then by country and lastly by facility, with managers involved at every level. Information and training sessions are regularly conducted on-site and/or online, depending on local needs, so that every employee can understand and comply with the Code and its guidelines. Translated into 14 languages, the Code is readily available to employees, who can download it from the intranet. Team managers have also received a print copy.

Whistleblowing controls and procedures

Compliance with the Code of Ethics is ensured through a system of **regular controls,** based on an ethical risk map, integrated reporting systems, an internal control manual and internal audits.

Internal alert channels



Examples of universal symbols used on intranet platforms for internal communication in different countries (United States of America and France respectively).

The **alert mechanisms and procedures** put in place by the Group allow employees to share, anonymously and under protection, their questions or concerns about behavior that is potentially unethical, illegal or contrary to the Group's values, and to raise an alert about possible violations of the Code of Ethics and the Group's policies.

During 2020, the Group consolidated its **alert lines** for every Region in a single external supplier, thereby making it easier for employees and external partners to raise an alert, and also improving the Group Ethics Committee's ability to oversee the ethics alert and investigation system and to follow ethics indicators. In every Region, possible ethics violations may be reported via an ethics hotline, a dedicated webpage, local legal affairs teams, local development partners, line managers or, in some cases, occupational physicians or employee representatives.

When **ethics violations** are observed, they are analyzed according to a Group-wide process defined by the Corporate Information Systems Security, Safety & Security and Environment Department. On the basis of the information in the alert, this department decides how to conduct the internal investigation, which may then give rise to action plans, corrective measures and/or disciplinary sanctions depending on the circumstances and the seriousness of the violation. The Regional Ethics Committees oversee this process.

In 2020, a total of 989 incidents of alleged non-compliance were reported across the Group[1]**,** a 5% decrease from the 1,037 allegations recorded in 2019. All of these reports were investigated in line with the prescribed procedure. At the end of this process, of the matters that were closed in 2020, 20% of the allegations were deemed to be unfounded, 72% were fully or partially substantiated and 7% did not contain sufficient information to permit an investigation[2].

Following the investigations, disciplinary measures (such as warnings, unpaid leave and dismissals) were applied. In certain cases, legal action was taken to bring criminal charges or to recover corporate assets.

(1) *Group Personnel scope of reporting: Among the reported incidents, those that occurred at the very end of the year are all registered, but some might still be under investigation or pending processing.*

(2) *Of the total, 1% were duplicates.*

4.1.1.2 b) Taking a firm stand against corruption

The process for combating corruption is based on prevention programs, training, internal control and disciplinary measures.

In 2010, the Michelin Code of Ethics specified the fundamental rules and guidelines that must govern every employee's decisions with regard to preventing corruption.

To strengthen this system, an easy-to-understand, **practical Anti-Corruption Code of Practice for all employees was published in 2015** and updated in 2020, demonstrating the Group's commitment to building its sustained growth on fair and ethical business practices.

The new Code is designed to raise manager and employee awareness of the actions that may indicate an attempt at corruption, by providing examples and offering advice on how to counter such attempts. More specifically, it deals with typical cases such as bribes, kickbacks and payoffs, the use of agents and intermediaries, payments for favors or other inducements, charitable or political contributions, gifts and invitations.

In 2018, Michelin formally introduced **an Anti-Corruption Compliance Program (ACCP),** structured around existing procedures. In compliance with France's Sapin II Act, the program **describes corruption and bribery-related risks and the procedures for managing them, then defines the measures to be put in place to ensure compliance with the Group's policy of zero tolerance for corruption. It applies to the entire Group and has been deployed in every Region,** as well as to customers, tier-one suppliers and intermediaries. In particular, it specifies policies and expected practices in such areas as corruption risk assessment, gifts & invitations, assessment of intermediaries, communication and training, accounting control, internal whistleblowing, investigations, internal control and audits, the management of mergers and acquisitions, and the related reporting processes. It notes that corruption risks are managed in each of the operating Regions under the responsibility of the Regional Presidents.

Each local team manages its employee awareness-building and training programs, based on the corruption risk analysis performed in the Region with the support of the local legal affairs department. This analysis identified 12 host countries where there is a high risk of corruption. In addition, members of the Group Executive Committee participated in training in these issues in 2018, as did a few managers from headquarters in 2020.

4.1.1.2 c) Responsible tax management

Michelin's tax policies are defined and implemented in line with its operating objectives in responsible and sustainable business development. In this regard, the Group's primary responsibility is to ensure that it fulfills all of its international, regional and local tax obligations, in both the spirit and the letter of the law. Moreover, Michelin has defined its own fundamental guidelines, in a commitment to securing its positions and ensuring that the Group fairly pays all of the taxes due in its host communities.

This is why Michelin systematically interprets tax legislation in compliance with both the law and the legislator's intent, without taking advantage of any eventual loopholes.

The Group also recognizes the need and the value of nurturing trustworthy relationships with tax authorities. As a result, the Group Vice President of Tax Affairs and members of his network foster, nurture and maintain ongoing, transparent relationships with tax authorities at every level, to ensure that all of the disclosures required by law are easily accessible and shared on a timely basis.

In 2019, for example, the Group signed a partnership agreement with the French tax authorities, under the "relationship of trust" framework set up by the Budget Ministry, whereby we will transparently share any major events likely to have a tax impact.

Naturally, the Group's tax policies strongly condemn all forms of tax evasion and expressly forbid management from taking advantage of tax regimes deemed to be prejudicial or non-transparent. Similarly, Michelin does not engage in any transaction, financial or otherwise, that would have the effect of evading taxes or of optimizing its corporate tax liability without generating any other operational or economic benefit.

Tax risk management policies are based on:

- a transfer pricing policy deployed in accordance with the latest OECD guidelines, with compensation of Group units determined on an arm's length basis, with fair compensation for key functions;
- application of the transfer pricing policy across the entire Group, with understandable, transparent information systematically provided as requested by the local tax authorities;
- protection of shareholder value by implementing a full range of procedures to mitigate the risk of double taxation of profits, involving the use of all forms of recourse, as necessary, including internal recourse, governing authorities and arbitration;
- the assurance that all of the open tax positions are consistent with the Group's core values, including respect for facts, the environment and people;
- a preference for solutions that avoid unnecessarily complex tax analyses, to reduce the risk of divergent interpretations that may lead to tax disputes, while improving transparency.

All tax risks are tracked specifically by the Tax Affairs Department, under the supervision of the Group Finance Department. The system for managing these risks is also governed by the Group's tax policies.

4.1.1.2 d) Protecting employee privacy and personal data

Michelin pays special attention to protecting the right to privacy and the personal data of customers, employees, job applicants, shareholders and suppliers.

As part of this commitment, the Group has deployed a governance system, based on a network of local privacy managers, that tracks compliance with applicable legislation, including the European Union's General Data Protection Regulation (EU) 2016/679 (GDPR). To drive continuous improvement, Michelin is now encouraging every subsidiary, regardless of location, to apply these same personal data protection principles. In addition, it has issued binding corporate rules concerning the transfer of personal data outside the European Union.

Lastly, personal data protection is an integral part of the Group's internal control process and is periodically audited internally.

4.1.1.3 Demonstrating our social commitments through responsible procurement policies

SDG 2.3, 2.4, 8.4, 10.1, 12.6, 12.8, 15.2 and 15.5

The primary conduit for expressing Michelin's social responsibility commitments to suppliers is the Purchasing Department. Its mission is to guarantee the availability of products and services the Group needs by selecting suppliers that meet our technical and cost requirements, as well as our expectations concerning environmental and social issues. The Department helps to improve the competitiveness of the operating units, while embodying the core values presented in the Michelin Performance and Responsibility Charter and the Group's Code of Ethics. Today, these aspects are closely associated with the concept of duty of care.

The Purchasing Department is structured around four procurement categories: raw materials, natural rubber, industrial goods and services. At around €11.5 billion in 2020, purchases represented more than 55% of consolidated sales for the year.

Following its CSR audit by EcoVadis, in December 2019, Michelin was awarded an overall score of 78/100 and 80/100 in Responsible Purchasing, ranking the Group among the top 1% of suppliers rated in the "Manufacture of Rubber Products" category.

All this means that Michelin is also demonstrating its social and environmental responsibility through its supplier relationships. In recent years, the Group has assertively pursued a responsible purchasing commitment with suppliers, who not only meet its quality, cost, deadline and reliability standards, but also pledge to continuously improve their human rights and environmental performance.

Now that the objectives for the number of suppliers assessed and confirmed as compliant with Michelin standards by 2020 have been amply exceeded, new targets are set every year to increase both the number of suppliers submitting desktop reviews and the percentage meeting the expected level of compliance (see 4.1.1.3 b) Risk identification and levers for action/2020 results).

4.1.1.3 a) Governance and organization

Clearly defined policies

First published in 2012 and further updated in 2017, **the Michelin Purchasing Principles** serve as the reference document for the Michelin Purchasing Department. They are grounded in Michelin's values and international commitments through the fundamental conventions of the International Labour Organization, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. They provide a foundation for the relationships of trust that must exist between Michelin, its purchasing teams and its suppliers around the world.

As such, they describe the fundamental principles governing the Group's supplier relationships. In particular, they stipulate:

- the environmental, social and ethical standards and performance expected of Michelin suppliers;
- the supplier approval process;
- the rules of professional conduct for the Group's Purchasing teams.

The Michelin Purchasing Principles may be downloaded from https://purchasing.michelin.com/Espace-documents.

In late 2020 and early 2021, the document was revamped to make it easier to understand by dividing it into two separate texts, one for suppliers and the other for Group buyers and their internal partners.

A global organization

Michelin has around 50,000 suppliers located on every continent around the world, while the Purchasing Department has some 800 employees based across the Group's different geographies.

The Purchasing Department is seamlessly integrated into the Group's CSR Governance mechanisms. The Chief Procurement Officer is a member of the Environment and the 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.

A continuous, award-winning process

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 the continuous training buyers receive in CSR issues. Recently acquired companies are integrated into the Group's purchasing processes gradually, following their own timetable.

In addition, Michelin encourages emulation among suppliers, by honoring the best among them every two years with ***Michelin Supplier Awards***, based on CSR performance and three other criteria. The 2018 ceremony saw five suppliers receive Awards, while the 2020 event has been postponed until 2021 due to the Covid-19 crisis.

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. On June 25, 2019, Michelin was awarded the **"Responsible Supplier Relations and Procurement Label"** at a ceremony at the French Ministry for the Economy and Finance in Paris. The label, which Michelin retained in 2020, recognizes French companies that have demonstrated the ability to foster balanced, sustainable relations with their suppliers.

In April 2019, 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,which in turn reflect the dedicated commitment of all our purchasing teams and their internal partners.

4.1.1.3 b) Risk identification and levers for action

Identified risks

To supplement the Group's risk map, the Purchasing Department has mapped its risks in the area of corporate social responsibility. The map ranks purchasing categories according to their CSR risks in four areas: the Environment, Human Rights, Health & Safety and Business Ethics. Aggravating factors, such as the complexity of the supply chain, have also been taken into account. This exercise also identified the sourcing countries with high environmental and human rights risks, based on the Verisk Maplecroft database.

The resulting risk map is regularly updated, including a top-to-bottom revamp in 2020.

The mapping exercise helps to prioritize the scheduling of CSR performance reviews and the deployment of preventive measures aligned with each purchasing category's characteristics and environment[1].

Of all the purchasing categories, **natural rubber** warrants the most attention to both its environmental and its societal impacts because, generally speaking, it 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,** which is described in detail at the end of this section.

Supplier assessments

Since 2012, Michelin has assessed its key suppliers' CSR performance in a variety of ways, depending on the issues involved.

Desktop reviews

As part of the Michelin Sustainable Development and Mobility Ambitions for 2020, the Purchasing Department committed to assessing the CSR performance of the Group's 400 leading suppliers and enabling 70% of them to be confirmed as compliant with Group CSR standards.

This performance is assessed through desktop reviews conducted by the EcoVadis rating agency, which measure how Michelin's leading suppliers stand in 21 CSR indicators covering the environment, labor relations & human rights, business ethics and responsible procurement.

Deployment (coverage of procurement spend)[2]

By purchase category
▶ 60% of Group procurement
▶ 85% of natural rubber procurement
▶ 90% of other raw materials procurement

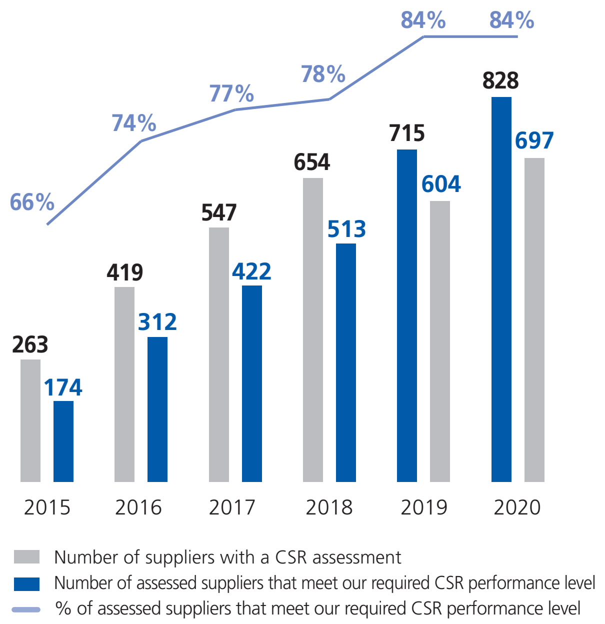
By high-risk country (for raw materials)
▶ 95% of sourcing in countries that pose a risk with regards to environmental protection
▶ 92% of sourcing in countries that pose a risk with regards to human rights abuses

In 2021, **Camso**, which has been consolidated since January 1, 2019, will begin to perform CSR assessments of its most at-risk suppliers. At the same time, desktop reviews will be extended to better cover the most at-risk categories, which have been identified during the mapping phase.

(1) For more information, see the Duty of Care Plan.
(2) Excluding newly acquired companies.

2020 Results

In 2020, of the 916 targeted suppliers, **828 successfully submitted a review.** This corresponded to a 90% response rate. Based on their overall score, **84% of respondents, or 697 suppliers, were confirmed as compliant with Group standards.**



Along with the deployed corrective actions, the careful attention paid to the assessments by both the Group's purchasing teams and its suppliers is helping to drive steady progress.

By year-end 2020, for example, 417, or 62%, of the 671 assessed suppliers had improved and 135, or 20%, had maintained the same score. Lastly, of the 172 suppliers who had scored below expectations in the previous assessment, 100, or 58%, had delivered the expected performance.

Tracking and follow-up

Suppliers who fall short of confirmed compliance must implement a CSR performance improvement plan, whose progress is tracked by the purchasing teams. To manage the deployment of these remedial action plans more effectively, an indicator was introduced in 2019 to determine the percentage of suppliers who were requested to implement a plan and who actually created such a plan or implemented remedial actions.

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

Self-assessment questionnaires

In 2018, a CSR self-assessment questionnaire was prepared and issued to front-line Purchasing Department teams, 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.

On-site audits

To support supplier compliance with Michelin's Quality standards and Purchasing Principles, a supplier quality system audit procedure known as ESQF has been introduced. Aside from quality issues, it also addresses the application of the health, safety, environmental and human rights standards stipulated in or derived from the Michelin Purchasing Principles.

In performing an ESQF, Michelin auditors go on-site to assess the following aspects: general compliance, compliance with environmental standards, respect for human rights, and compliance with health & safety standards and the supply chain.

Several questions on the ESQF evaluation form have been changed to yield a fuller picture of the supplier's environmental and employee relations performance.

Following an ESQF, Michelin auditors assign the audited supplier a score. If it is less than 80%, the supplier is deemed to have failed the audit and is required take the identified corrective measures and improve overall performance with a continuous improvement process. The initial score will later 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 to drive sustainable improvement over time.

Note: a dedicated CSR assessment and risk mapping exercise has been deployed for natural rubber suppliers (see section 4.1.1.3 a).

Effective levers for action

Cross-functional levers

Enhancing the professionalism of employees and stakeholders

Considerable resources have been deployed to enhance the professionalism of the procurement teams and to make purchasing processes more efficient. In particular, the training program for purchasing teams comprises a dedicated Responsible Procurement module that is mandatory for buyers and encouraged for technical specifiers and key internal partners. Around 80% of currently employed buyers have been trained to date. Since 2011, some 700 people worldwide have been trained in the module, including managers and buyers in the new Camso subsidiary. In 2020, the module was transformed into a series of online training courses, to ensure that high-quality training is available at any time for teams around the world.

To ensure compliance with the ethical guidelines specified in the Code of Ethics and the Anti-Corruption Code of Practice, the Group's reference documents, a specific online training module developed in 2017 has been rolled out across the Purchasing organization and among internal partners in contact with suppliers. It reviews current legislation and expected behavior, in line with the Michelin Purchasing Principles, and offers certain recommendations. Since late 2017, the module has been completed by more than 5,400 people.

Additional training programs have been offered in the operating Regions, along the lines of the procurement ethics modules specific to North America, which were completed by all of the buyers in 2020.

Addressing CSR issues in appropriate purchasing processes

CSR issues are fully integrated into the Group's procurement strategy, in particular in the case of certain high-risk categories. This can result in purchases being consolidated and sourced from a limited number of specifically approved suppliers.

Buyers are increasingly encouraged to factor CSR criteria into their calls for tender. These criteria may concern the CSR performance of both the potential vendor and its products, services or solutions. They address three critical issues: climate change and CO_2 emissions; the circular economy and natural resources; and ethics and people.

In addition to the general conditions of purchase, every contract includes the Michelin Purchasing Principles. In the case of natural rubber purchases, the contract also includes the Responsible Natural Rubber Procurement Policy. Moreover, standard purchasing contracts include a specific clause prohibiting child labor and forced labor.

Supplier transparency concerning CSR issues and their CSR performance is also addressed in the Supplier Relationship Management (SRM) process, in particular when suppliers are segmented and during the regular meetings that drive the process forward.

Diversifying the supplier base

Michelin operates globally, but it consistently strives to source locally, as well as from sheltered work centers and social enterprises, in addition to the major international suppliers who meet its exacting requirements and embrace the principles of sustainable development.

On-time payment of supplier invoices

Michelin pays careful attention to the timely payment of supplier invoices and offers a variety of effective invoicing solutions, including electronic invoicing in PDF or EDI file formats. A new unified global invoice processing platform is being deployed in 2020-2021. Blocked invoices are tracked weekly, as are open invoices with a close due date or whose receipt has not been inputted into the information system. A payment schedule dashboard displays a number of indicators, including the percentage of invoices paid on time, as well as related sub-indicators to give advance warning of potential problems. Following a review, appropriate actions are taken with the purchasing department, internal partners or the suppliers. Suppliers who submit late invoices are contacted to raise their awareness of the issue and avoid settlement delays.

Michelin was included in the list of socially responsible companies published in April 2020 by the French Ministry for the Economy and Finance's crisis committee on payment terms, which recognizes companies that pay particular attention to settling supplier invoices.

Mediation with suppliers

Since 2012, suppliers can 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 2017-2020 period, no more than two suppliers have requested mediation each year. These cases generally concerned invoice payment problems, which were quickly resolved by the mediator.

Critical materials **[SASB TR-AP-440a.1]**

The term critical material – defined as any substance whose use is highly necessary but whose supply is subject to risk – generally refers to certain ores and rare earths. Very few are used in tire manufacturing. At Michelin, they are managed in accordance with the system in place to manage supply risk for all types of raw materials, which deploys a dedicated risk management response for any material identified in the mapping exercise as posing a particular risk (see section 2.1, Risk 5 "Supply continuity risk"). These responses include signing multi-year contracts with the main suppliers, looking for new suppliers, maintaining strategic buffer inventory for critical products, seeking substitute products, and, in the case of conflict minerals, maintaining duty of care procedures (see paragraph below).

Dedicated levers for the environment

Greenhouse gas emissions (GHG)

The Group has taken a proactive approach to determining which purchasing categories and suppliers represent the largest sources of GHG emissions. These suppliers are encouraged to initiate, step up or accelerate their commitment to reducing their GHG emissions.

Purchased goods and services: inventory

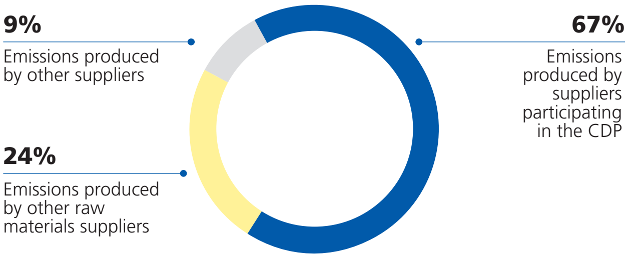
The inventory of the Group's Scope 3 GHG emissions (indirect emissions, excluding production facilities) was updated in 2020. Emissions from purchased goods and services (Scope 3, category 1 in the Greenhouse Gas Protocol, which excludes emissions related to purchased logistics services) are estimated at 8.5 million tonnes of CO_2eq/year. This represents approximately half of all the Group's Scope 3 emissions excluding the in-use phase (category 11).

Given that raw materials account for a massive 91% of emissions from purchased goods and services, programs to reduce supply-chain related emissions focus on raw material inputs, alongside the significant gains being made in purchased logistics services.

Purchased goods and services: the CDP (Carbon Disclosure Project) initiative

The CDP provides a comprehensive system for measuring and disclosing environmental information, in order to assess the strategies in place to abate climate change. In 2018, Michelin joined the CDP's Supply Chain Program and engaged its leading raw materials suppliers to participate in it, encouraging them to embrace the process by estimating and publishing their greenhouse gas emissions and developing strategies to reduce them. This process is playing a critical role in driving effective action across the production chain, while encouraging the deployment of best practices to reduce greenhouse gas emissions.

Conducted in 2018 and again in 2020, the campaign will be held annually going forward. Of the 69 raw material suppliers asked to submit data in 2020, 60, or 87%, responded. Together, they represented 67% of the emissions from the Group's purchased goods and services (Scope 3 category 1, according to the inventory conducted in 2020) and approximately 50% of raw materials and natural rubber spend. 33 suppliers scored B- or higher, indicating that their climate change approaches were fairly mature.



Purchased goods and services: Science-Based Targets for emissions reduction

In 2020, the Science Based Targets initiative (SBTi) validated the Group's environmental targets, which include a target relating to purchased goods and services, i.e., that suppliers representing 70% of GHG emissions from purchased goods and services (Scope 3, category 1) will have set science-based reduction targets by 2024[1].

At the end of 2020, suppliers representing 13% of category 1 emissions reported in the CDP questionnaire exercise that they had set science-based targets or targets already validated by the SBTi.

Logistics

Significant progress has been made in addressing CSR issues in logistics purchases, with, for example, the requirement that tender bids include green alternatives, the introduction of an application (EcoTransIT) that more accurately determines the greenhouse gas impact of our transportation purchases, and the organization of a shipping supplier convention (see section 4.1.4.3 i) Sustainable logistics operations).

Energy

Purchases of electricity from renewable sources have increased in recent years and bids on power supply tenders must now include renewable energy alternatives (see section 4.1.4.3 c) Reducing energy use and greenhouse gas emissions/Purchasing electricity guaranteed from renewable sources).

Circular economy

To support the Group's commitment to using sustainable materials[2], the main raw materials suppliers have been requested to submit a roadmap for developing materials made from renewable or recycled sources.

In the other purchasing categories, a wide variety of initiatives are underway to support the circular economy. Examples include: purchasing refurbished replacement parts for automated machinery, labels without disposable release liners and eco-friendly marketing goodies; and replacing laptops less frequently.

Dedicated levers for human rights and health & safety

Conflict minerals

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

The Group exercises its duty of care by applying the related OECD recommendations and using the applications developed by the Responsible Minerals Initiative (RMI). The materials and components used in Group products that contain these minerals or their derivatives have been identified and their suppliers are periodically requested to submit the RMI Conflict Minerals/ Cobalt Reporting Template. These forms and inventories are then verified for compliance with the RMI lists. For all these minerals, the submitted templates enable Michelin to verify that the reporting supplier works with RMI-approved smelters.

(1) 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Engagement and transparency/Science Based Targets initiative (SBTi).
(2) 4.1.4.2 Attenuating the environmental impact of products and services/Incorporate 30% sustainable materials, from renewable or recycled sources, in tire production.

Chemicals

The Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation, which the European Union introduced to attenuate the adverse impact of chemical substances on human health and the environment, stipulates that manufacturers and importers of more than one tonne of a given chemical per year must register the substance with the European Chemicals Agency (ECHA). Producers must identify and manage the risks associated with the chemicals they make and market in the EU, demonstrating to the ECHA how the substance can be safely used and informing users of the proper risk management procedures.

Michelin fulfills this registration requirement as a chemical manufacturer or importer and verifies that the chemicals it uses have been registered by the suppliers, thereby ensuring that it is in compliance with REACH.

4.1.1.3 c) A dedicated approach for natural rubber

Paying special attention to natural rubber suppliers

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 farming upstream, and is committed to responsible, sustainable management of natural rubber production.

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

Partnering with the WWF and nurturing dialogue with civil society

To preserve rubber and manage its impacts, the World Wildlife Fund (WWF) and Michelin have been working together since 2015 to transform the natural rubber market by instilling more sustainable practices across the entire value chain.

Building on the progress made during the first phase of their collaboration, WWF France and the Michelin Group renewed their partnership in 2019, in a joint commitment to pursuing initiatives to support a sustainable natural rubber market.

At the same time, Michelin is continuing to consult regularly with 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 was held in Paris in February 2020. 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 (see also section 4.1.2.5 a).

Sustainable natural rubber policy

Michelin was the first tire manufacturer to publish a commitment to sustainable, responsible natural rubber production and procurement. In addition to issuing its **Responsible Natural Rubber Procurement Policy** in 2015, the Group has formalized its public commitments in its **Sustainable Natural Rubber Policy issued in 2016 and updated in early 2021 to reflect, in particular, GPSNR guidelines**[1].

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

Downloadable from the Michelin purchasing website[2], the policy precisely defines 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 encourages every stakeholder across the supply chain to embrace responsible social, environmental and governance practices, so as to maintain rubber tree farming in a virtuous cycle of progress.

The Policy explains in detail the five core commitments that Michelin intends to fulfill and promote:

- **Respect all stakeholders in the natural rubber production chain,** by promoting conflict resolution related to land ownership and improving working conditions and living environments.
- **Make rubber tree farming environmentally friendly,** by combating deforestation and controlling the potential impact of rubber cultivation on fauna and flora.
- **Take action to improve farming practices,** by helping to instill more efficient practices across the natural rubber production chain, especially among smallholders, in a commitment to increasing agricultural yields.
- **Encourage the careful use of natural resources,** by increasing the material efficiency of natural rubber used in tires. Michelin is constantly developing new technical processes that optimize the use of rubber in its products.

(1) The Global Platform for Sustainable Natural Rubber (GPSNR).
(2) https://purchasing.michelin.com/Espace-documents.

- **make rubber tree farming a source of better governance practices.** Michelin is an engaged stakeholder in the rubber tree farming industry, communicating transparently, refusing all forms of corruption and interacting with local and international stakeholders.

Since 2016, the policy has been included in every Michelin supply contract. In addition, Michelin encourages its suppliers to implement policies aligned with GPSNR recommendations.

Assessing stakeholders across the supply chain

CSR practices in the Group's natural rubber supply chain are assessed differently depending on the stakeholder:

- for our direct suppliers, desktop reviews are submitted to EcoVadis and on-site audits are performed;
- for our direct suppliers' production facilities and upstream supply chain, risks are mapped using the Rubberway® application.

EcoVadis desktop reviews

The Group's natural rubber suppliers have been participating in EcoVadis reviews of their social responsibility and environmental performance since 2013. If their results fall short of compliance, remedial action plans are deployed. In 2020, desktop reviews covered the vast majority of our rubber suppliers, representing more than 85% of our spending on natural rubber. Suppliers representing 69% of total spend were confirmed as compliant with Michelin standards, which corresponds to 76% of the spending covered by the reviews (see section 4.1.1.3 b).

On-site audits

A dedicated team performs on-site audits of every facility supplying natural rubber to the Group. These audits primarily focus on quality performance, but also cover CSR issues, such as the environment (water treatment, etc.) and employee health and safety. Every facility is audited every year or every other year, for a total of 140 per year. Follow-up audits are systematically conducted, with remedial action plans mandated in the event of shortcomings.

The Rubberway® application

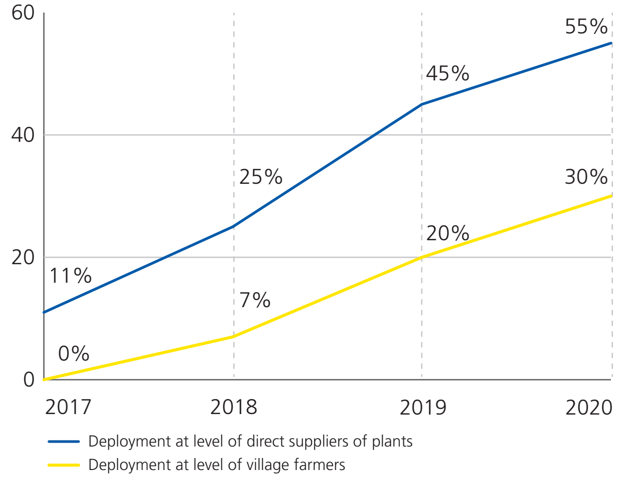
In a commitment to driving continuous improvement in its CSR performance, Michelin is increasingly investing in digital technology to develop innovative new applications to support its sustainable development and social responsibility vision.

In 2017, this commitment led to the deployment of the **Rubberway mobile application** to map, in collaboration with suppliers, the risks posed by the CSR practices of the stakeholders across the natural rubber supply chain, in addition to tier-one direct suppliers. These stakeholders, which include raw rubber processing plants, intermediaries, large plantations and smallholders, use the app to input information about their practices in such areas as human rights, the environment, agricultural training and market transparency.

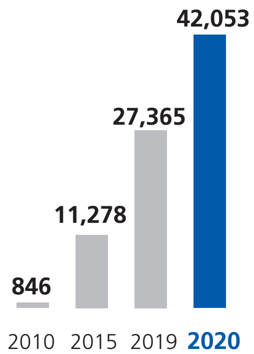
These data are then analyzed and summarized on an online platform to create a map highlighting the areas of potential social and environmental risk. The results are shared with suppliers and can be used to prepare improvement plans or deploy mutually designed remedial action plans.

In 2019, a joint venture was formed with Continental AG and software publisher SMAG to make Rubberway® a stand-alone solution, accessible to every natural rubber stakeholder. 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.

SOURCED RUBBER VOLUMES COVERED BY THE RUBBERWAY® APPLICATION



TOTAL NUMBER OF COMPLETED RUBBERWAY QUESTIONNAIRES (CUMULATIVE)



The app is currently deployed in Indonesia, Thailand, Côte d'Ivoire, Ghana, Nigeria, Liberia and Brazil.

Michelin has requested that suppliers initially deploy the Rubberway app in their production facilities and with their own direct suppliers, with the goal of **mapping 80% of the natural rubber volumes sourced from these channels by 2021.** In 2020, deployment was slowed by the Covid-19 crisis, so that 55% of volumes had been mapped by year-end[(1)].

However, the application is most impactful at the farmer level. Given their vast numbers (around six million worldwide), Michelin is hoping that enough of them participate in the Rubberway mapping exercise to ensure that it is representative of their farming practices. By the end of 2020, it is considered that this threshold has been reached for 30%[(2)] of Michelin's sourced volumes, out of a targeted 80% by 2025.

The results and risks identified to date are presented in the 2015-2020 report referenced below.

The progress made is transparently reported on the Michelin Purchasing website[(3)].

Frontline initiatives

Michelin owns processing facilities and plantations in Brazil, Africa and Asia, either directly or through joint ventures. This hands-on experience has given it unrivaled expertise that is being leveraged to deploy projects and initiatives in support of responsible natural rubber farming.

Led by the Group or its joint ventures, these initiatives address a broad range of sustainable natural rubber production issues. Examples include the program to grow selected high-yield rubber tree seedlings for sale to farmers, the training of around 100,000 farmers a year to transfer skills in best farming practices, and the promotion of good environmental practices. Programs have also been deployed to prevent malaria, AIDS and other diseases and to provide wider access to medical care, education and housing. The SIPH joint venture located in West Africa has set up programs of the kind described above, on both the environmental and human fronts.

In 2003, the Group implemented a program in Salvador de Bahia, Brazil. Since then, the teams of agronomists at our experimental research farm have made significant contributions to the spread of best farming practices and the development of new rubber tree species resistant to a disease endemic to South America that is having a severe impact on rubber-tree farming across the region. The nearby 3,400-hectare Michelin Ecological Reserve (REM) has become one of the best-protected areas of the Atlantic Forest and a haven for biodiversity (see section 4.1.4.4 Supporting biodiversity).

In 2015, Michelin and its Indonesian partner Barito Pacific set up the RLU joint venture to develop new rubber plantations, protect primary forests and restore ecosystems on Sumatra (66,000 hectares) and in East Kalimantan on the island of Borneo (22,000 hectares). Undertaken in partnership with the WWF, this project has led to the creation of nearly 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[(4)].

In all, the environmental conservation projects being carried out either directly in Brazil or through our joint ventures in Africa and Indonesia covered more than 34,000 hectares in 2020. In addition, the Michelin Foundation funds health-related scientific research projects, such as the one that Institut Pasteur is leading in Laos and Côte d'Ivoire on mosquitoes and the diseases they carry. The aim is to recommend practices to limit the spread of these illnesses among rubber plantation workers and their families.

The Global Platform for Sustainable Natural Rubber (GPSNR)

Michelin and its partner WWF are working together to encourage key rubber-tree farming stakeholders to take action to make responsible natural rubber production the norm. This commitment played a key role in setting up the multi-stakeholder **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 was impelled by the Tire Industry Project (TIP), which brings together Michelin and ten other tire manufacturers under the auspices of the World Business Council for Sustainable Development (WBCSD). GPSNR brings together stakeholders from across the natural rubber value chain, including farmers, processors and intermediaries, tiremakers and other users, automakers and civil society, with the participation of a large number of NGOs.

The GPSNR is primarily tasked with harmonizing standards and supporting local initiatives to improve respect for human rights, preventing land-grabbing, protecting biodiversity and water resources, improving agricultural yields and increasing the transparency and traceability of the supply chain.

The platform was launched in Singapore on October 25, 2018 and held its first General Assembly there in March 2019. Michelin is one of three tire industry representatives and chairs the Executive Committee. Several working groups comprising all of the stakeholders are exploring pathways to progress in fulfilling the platform's mandate. In 2019, Michelin was one of the most active companies on the platform, assertively participating in four of the five working groups meeting during the year (Strategy & Objectives, Smallholder Representation, Capacity Building and Traceability & Transparency). For more information, please visit www.gpsnr.org.

(1) The rate is calculated based on the volume of natural rubber sourced in the prior year.
(2) The rate is calculated based on the volume of natural rubber sourced in the prior year.
(3) https://purchasing.michelin.com/fr/caoutchouc-naturel-responsable-et-resilient/.
(4) Royal Lestari Utama, 2019 Sustainability Report: https://www.rlu.co.id/sustainability.

To find out more: 2015-2020 results, the 2025 roadmap and indicators

More extensive information about our natural rubber commitments may be found on the new dedicated Michelin Purchasing website[1], which 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 Progress Report 2015-2020;
- the Sustainable Natural Rubber Roadmap 2020-2025;
- a set of comprehensive, regularly updated indicators that track progress on the sustainable natural rubber policy.

4.1.2 HUMAN RIGHTS

HUMAN RIGHTS GOVERNANCE

Michelin's commitment to upholding human rights is managed by two Group organizations, based on a number of indicators. The first is a multidisciplinary **Operational Committee** comprising representatives from the Sustainable Development and Mobility, Purchasing, Personnel, Internal Control, Risk Management, Employee Relations, Public Affairs, and Diversity & Inclusion Departments. Meeting eight to ten times a year, it prepares an annual action plan engaging Michelin in a continuous improvement process. The second organization is the **Human Rights Governance Body**, which is placed at the highest level of the Group. Chaired by the Executive Vice President & Chief Personnel Officer, who is a member of the Group Executive Committee, it meets twice a year to validate the main thrusts of the action plan and related issues. In particular, it tracks the following human rights indicators:

		2016	2017	2018	2019	2020	2020 Target
Health and safety	Total Case Incident Rate (TCIR)	2.5	2.1	1.9	1.4	1.2	<2
Discrimination	% of women in management positions	24.6%	25.6%	26.8%	27.4%	28.2%	30%
Workplace sentiment	Employee engagement rate	80%	80%	80%	81%	83%	85%
Suppliers	% of suppliers found to be in compliance with Group standards for fair working conditions during desktop reviews of their CSR performance	74% (of the 419 suppliers assessed)	78% (of the 547 suppliers assessed)	80% (of the 654 suppliers assessed)	85% (of the 715 suppliers assessed)	86% (of the 828 suppliers assessed)	70% (of the 400 suppliers assessed)

4.1.2.1 Ensuring respect for human rights SDG 8.7, 17 and 16

4.1.2.1 a) Employee relations standards and responsibilities

Michelin makes every effort to uphold human rights in all its businesses and in every host community. Its employee relations are governed by the highest standards in accordance with the universal principles of human rights and international labor conventions.

Since 2010, Michelin has been a signatory to the United Nations Global Compact and is committed to upholding its ten principles. It also abides by the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. Across the globe, the Group is committed to applying the conventions of the International Labour Organization (ILO), particularly in relation to freedom of association and protection of the right to organize (see section 4.1.2.3 Promoting responsible social dialogue), the elimination of discrimination in employment and occupation, the elimination of forced labor and the effective abolition of child labor (see section 4.1.2.1 b) Risks and prevention measures/Decent work-related risks now being assessed in the sub-contracting chain.

These principles and guidelines form the basis for a number of internal reference documents, particularly the Michelin Performance and Responsibility Charter, the Code of Ethics, the Anti-Corruption Code of Conduct, the "Moving Forward Together: the Trademark of Mutual Commitment" document, the Manager's Guide and the Michelin Purchasing Principles. Widely distributed among employees worldwide, all these documents have been translated into the Group's main working languages and are available for consultation at any time on each country organization's intranet site.

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

To further enhance its expertise and capitalize on best practices, Michelin also joined the Businesses for Human Rights (EDH) association, which comprises 17 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. In late 2020, Michelin also took over as chair of the Human Rights Club of the Global Compact France network.

4.1.2.1 b) Risks and prevention measures

The Group's identified human rights risks concern:

- Employee health and safety (see section 4.1.3 Employee health and safety).
- Harassment and discrimination (see section 4.1.2.2 Instilling an inclusive culture of diversities and preventing discrimination).
- Freedom of association (see section 4.1.2.3 Promoting responsible social dialogue).
- Product safety (see section 4.1.1.1 Guaranteeing the quality of our products and services).
- Protecting employee privacy and personal data (see section 4.1.1.2 Ensuring ethical business practices).
- Child labor (see below, Decent work-related risks now being assessed).
- Forced labor (see below, Decent work-related risks now being assessed).
- Potentially negative impacts on local communities (see section 4.1.2.5 f) Addressing the risk of potentially negative impacts of our business on local communities).
- Corruption (see 4.1.1 Ethics and compliance, and 4.1.1.2 b) Taking a firm stand against corruption).
- A decent wage (see section 4.1.2.3 b) Offering fair compensation and benefits).

After conducting **human rights impact studies** in a number of countries until 2018, in 2019 the Group began deploying an approach designed to embed recommended human rights practices more sustainably in the Group's fundamental business processes. This has involved defining the key issues in each risk category (forced labor, discrimination, etc.) more precisely and drafting action principles applicable across the entire Group, including some that will be audited by the internal control teams. Following the drafting of action principles on child labor and working hours in 2019, a new document was prepared in 2020 on discrimination. Both of these texts will be incorporated into a new version of the Group's Code of Ethics, to be posted online in 2021. Aligned with ILO Conventions No. 111 and No. 190, the document on discrimination stipulates the Group's values and the behavior expected from every employee is this regard.

An extensive initiative is also underway to define the Group's ambitious new human rights objectives for 2030 and the appropriate indicators to track progress over the next decade. As part of this process, a **Diversities & Inclusion Management Index** has been created. Following on from the discussions on decent wages initiated in 2019, a method for analyzing compensation levels was developed in 2020 with the support of an expert from the Fair Wage Initiative and input from the Corporate Stakeholder Committee.

Decent work-related risks now being assessed in the contracting chain

The **mapping exercise for supplier human rights risks** was completely overhauled in 2020 to rank purchasing categories according to their human rights risks. When cross-referenced with the analysis based on sourcing countries posing human rights risks, this category analysis enabled us to prioritize supplier assessments and deployment of preventive actions (see section 4.1.1.3 b) Identification of risks and levers for action). Supplier CSR risks, which had been included in the Group risk mapping exercise in 2019, were the subject of an initial assessment in 2020.

The Group's **ethics hotline** was also opened to suppliers, with a direct link posted on the Purchasing Department's website.

Also during the year, the Purchasing and Sustainable Development Departments jointly participated in discussion groups exploring the notion of decent work in the supply chain. These discussions were held as part of the Global Compact Action Platform on Decent Work, which Michelin joined in 2019, the Human Resources Without Borders (RHSF) association, which helps companies to improve their response to forced labor and child labor issues, and the three sessions of a Suppliers' Forum organized by our customer Volvo around supplier human rights management issues.

To address human rights risks in the natural rubber supply chain, **the Rubberway®**[1] **mobile application** deployed by the Group in seven countries since 2017 **has gathered information from 42,000 rubber tree farmers** on such issues as income, working hours, working conditions and child labor. Following a more in-depth analysis by district to identify the highest risk regions, a project to improve farmers' living and working conditions was launched in late 2020 in Indonesia with mission-driven company *Ksapa*. The four-year project covers a number of pathways to progress, such as higher income, human rights, crop diversification, health and safety, with a special focus on training for farmers and their families.

(1) See section 4.1.1.3 c A dedicated approach for natural rubber/ The Rubberway® application.

4.1.2.2 Instilling an inclusive culture of diversities and preventing discrimination

SDG 4.3, 4.4, 4.5, 5.1, 5.5, 8.5, 8.6, 10.2 and 10.3

Every person is unique and contributes to diversity. Respecting individuals in all their uniqueness is the basis of the Group's diversities and inclusion policy. **Diversities come in many forms**, including gender, age, culture, religion, social origin, disability, sexual orientation, union membership, family situation, political opinion and physical appearance.

Michelin's approach to diversities and inclusion is guided by three intentions: (i) **that its teams be representative of all the diversities found in their local host communities**; (ii) **that each person be treated fairly and feel free to express his or her authentic self and uniqueness**; and (iii) **that diversities be experienced in a spirit of inclusion and tolerance, so that it can also help to drive collective performance**. Michelin enjoins everyone, regardless of position, business or country, to move diversities and inclusion forward.

For Michelin, non-discrimination is the non-negotiable bedrock of its diversities and inclusion policy. **No discrimination of any form is tolerated** anywhere in the Group with respect to anyone or for any reason whatsoever, including in cases allowed by local practice or custom. Employees have access to recourse in every country.

4.1.2.2 a) Managing diversities seamlessly around the world

Policies and objectives

The Group's Diversity process was first deployed in 2005, at the initiative of Edouard Michelin. Prepared in 2018 and widely distributed in every Region, the **Diversity Policy** reaffirms a number of fundamental principles and defines appropriate indicators and **guidelines, particularly in the area of non-discrimination.** In 2020, a new Diversities & Inclusion Policy, aligned with the Group's new 2030 commitments and Business Score Card performance indicators, was prepared for publication in first-quarter 2021. As part of this process, a **Diversities & Inclusion Management Index** was developed, with the goal of supporting more effective tracking of Diversities and Inclusion performance through targets set for 12 indicators in five categories, as follows:

- **Gender balance**: "Achieve parity among Group managers and, by 2030, set the gender balance benchmark in our industry";
- **Identity** (the sum of an individual's personal characteristics, such as age, sexual orientation, ethnicity or religion): "Enable every person to be who they really are and to bring their authentic selves to work";
- **Multi-national management**: "All of our host country nationalities and cultures are represented in all the corporate functions in the operating regions and at headquarters, in line with the geographical footprint of each business. In each country and region, more than 80% of management positions are held by locals";
- **Disability**: "Michelin offers career paths to people of all abilities, in accordance with its talent development policy";
- **Equal opportunity**: "Every employee can develop his or her talents in the company, regardless of where they started at Michelin. As a manufacturing company, Michelin pays particular attention to promoting production operators."

Governance and organization

Diversities are managed by a global, multi-level organization **led by the Corporate Vice President, Sustainable Development and Mobility**. Its remit and objectives are approved by the **Human Rights Governance body**. At the corporate level, it is supported by a five-member **Steering Committee** with representatives from the Public Affairs, Sustainable Development and Mobility, Training and Hiring Departments and from the Employee Relations office of the Corporate Personnel Department.

An **international Diversities & Inclusion network**, led by the Corporate Vice President of Sustainable Development and Mobility, brings together 20 Diversities Managers from each of the Group's host countries and/or regions. They support managers and Personnel Department employees, especially development partners and recruiters, one of whose objectives is to promote diversities. Since 2018, an in-house social media network has linked the Diversities Managers to the Corporate process leaders, enabling everyone to immediately share the latest news from the country organizations and to discuss policies and best practices in real time. In 2019, an intranet platform was set up to enable Diversities Managers to track their indicators in real time.

Employee engagement

Michelin urges its **country organizations** to sign their country's Diversity Charter, as Poland and Hungary did in 2016 and Romania in 2018, when France and Spain also reaffirmed their support.

However, what is basically being encouraged is the **real-world engagement of Personnel Departments and employees,** for example by signing agreements like the *Quality of Worklife: "people and their working environment"* agreement in France or organizing "creative event" employee workshops to help find ways of increasing diversity in hiring (France and the United States).

The challenge is also **to foster the emergence of networks and to support them**, **as is the case in the United States, which has 11 community-based business resource groups** (the latest being the ICARE BRG), as well as a Women's Network. **In Europe, the inclusive *WoMen Forward* network created in 2014** brings together men and women volunteers to help advance gender diversity. In particular, it offers *Self-confidence* workshops and mentoring programs, with more than 150 people mentored on a one-to-one basis so far. It also works alongside the Managers in Group gender diversity projects, such as the *Bias & Stereotypes* and *Role Models* programs, and on gender diversity audits in units that request them.

Lastly, throughout the year, employees around the world are encouraged to submit progress ideas capable of improving diversities and inclusion.

Paying attention to employee perceptions

In 2020, for the eighth straight year, employees had the opportunity to express their views on three diversities and inclusion issues in the global *"Moving Forward Together: Your Voice for Action"* survey. The first, concerning the Group's ability to "*create an environment where people with diverse backgrounds can succeed,*" maintained its highly favorable score, at 82%. The second, concerning the feeling that "*in my workplace, people are treated with respect, regardless of who they are or what their position is*," also retained its very high score, with 83% of respondents agreeing. The third, introduced in 2020, states that "*in my workplace, I believe that people are treated fairly (for job assignments, promotions, etc.) regardless of their background, personal characteristics or other differences*". It received a favorable score of 61%, which clearly opens up new avenues for improvement in the Group.

4.1.2.2 b) Programs and tools to attenuate the risk of discrimination

Risk of discrimination

At Michelin, discrimination is defined as treating people differently based on a criterion prohibited by law. This unequal treatment may be found in a variety of areas, such as hiring, compensation, access to training and career opportunities (retraining, postings, performance reviews, job titles, promotions, etc.). Criteria and expectations for people must always be expressed in terms of their professional capabilities and only such data may be collected that pertain strictly to the objectives at hand, no more and no less.

In 2020, the Diversities & Inclusion Policy was expanded with a reference text on the company's expectations, explicitly citing as examples the 12 discrimination criteria (gender, age, disability, etc.) along with real-world situations demonstrating behaviors to be encouraged or avoided. Validated by the Human Rights Governance body, the text will be included in the next update to the Code of Ethics.

Systematically raising awareness among managers

Michelin is highly attentive to any attempt to harass or discriminate against its employees in the workplace.

Information campaigns and special training programs are used to instill an **effective culture of diversities and inclusion** throughout the organization and at every level of management.

A **bias and stereotype awareness** program is now being rolled out in the Group's different Regions, where it will expand on the initiatives aligned with local practices and cultures already being organized by the country organizations for their managers and employees.

In Brazil, for example, teams are encouraged to take *quizzes* to first and foremost help open their eyes to diversity issues and their own unconscious biases. By the end of 2020, more than half of the managers and a third of the employees, or around 200 people in all, had attended the related e-learning module.

In France, before taking up their position, line managers and development partners first participate in a training program concerning discriminatory behavior and diversity issues. This helps them to avoid stereotyping, while learning more about diversity legislation and how to anticipate high-risk situations. In addition, every employee can take stock of their own gender bias by completing an online questionnaire developed with the University of Auvergne.

Annual internal audits of gender pay gaps and the wording of recruitment and hiring documents

Audits are also regularly performed to ensure that human resources processes are non-discriminatory and that action plans have been effectively implemented to address the risks identified. Audited risks include discriminatory wording in individual recruitment files (job offers, applicant interview reports, etc.) and pay gaps based on identified discriminatory criteria. Action plans are prepared and implemented to remedy any violations of Group policy. In addition, internal audits act as a continuous diagnostic system, backed by mandatory action plans.

Religion in the workplace

To provide managers with appropriate responses and minimize the risk of discrimination, a **guide to religion in the workplace was designed in France**, with the support of a specialized French law firm. Available on request at the French plants since 2018, the guide was updated in 2019 with an online multiple-choice questionnaire. In addition, all of the personnel managers in the French plants were given sensitivity training in religious issues. **A version of the guide adapted for use in Germany**, in accordance with national law and the specific concerns of German employees, was deployed in 2020.

4.1.2.2 c) Making all positions accessible to women and ensuring gender wage parity

At constant scope of reporting ("Ambitions for 2020"), **the percentage of women employees continued to increase in 2020, to 19.1% Group-wide,** but stood at a significantly lower 13.8% at Euromaster (versus 13.5% in 2019).

Mirroring the automotive industry as a whole, Michelin has always had few women among its production employees, although the proportion rose to 13% in 2020 excluding the dealership networks. Group-wide, however, the percentage of women employees has been steadily rising year after year, notably led by hiring programs and constantly upgraded workstation ergonomics. The ratio is more balanced among technical staff (31.8%) and, to a lesser extent, among managers and supervisors (28.2%).

Women as a percentage of employees at December 31, 2020

(Ambitions 2020 scope of reporting: employees on payroll, under any form of work contract, excluding temp agency workers)

Percentage of women by employee category and region	Production operators	Administrative employees and technicians	Managers and supervisors(1)	Total	GRI Indicator
North America	14.6%	38.9%	25.9%	18.7%	
South America	11.5%	28.8%	27.6%	15.7%	
Europe	12.8%	29.9%	28.7%	19.6%	GRI 102-08
Africa/India/Middle East	8.9%	38.5%	24.3%	20.3%	
Asia, *excluding India*	13.9%	38.4%	29.9%	20.1%	
GROUP TOTAL	**13.0%**	**31.8%**	**28.2%**	**19.1%**	**GRI 102-08**

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

Three Executive Committee members are steering the Group's performance in hiring and promoting women in Marketing & Sales, Research & Development and Manufacturing. Each is supported by the related Group Development Partner in deploying action plans to impel the *Women in Sales, Women in R&D* and *Women in Industry* programs, whose progress is tracked twice a year by the Executive Committee sponsors. Every year, the Regional Presidents set annual objectives, backed by action plans and indicators that are continuously tracked with the support of management.

Gender balance on governance bodies

At January 1, 2021, four of the 11 Executive Committee members were women, as were seven of the 20 members of the Group Management Committee. In 2020, four of the nine members of the Supervisory Board and three of the four members of its Compensation Committee, including its Chairperson, were women[(1)].

Making Group jobs more appealing to women

To **increase manufacturing's appeal to women,** Michelin is working in particular with schools to develop programs that will ultimately help to improve gender balance in production jobs. One example is the plant visits organized for high school teachers and their students. **In Canada, hiring teams have successfully increased the total number of women hired for full-time positions by focusing on raising awareness in universities**, ensuring diverse staffing at recruitment events and improving the gender diversity in its co-op work-study program. **In 2020, the plant in Victoria, Romania organized *its second annual "Femei care ne inspiră" (Women who inspire us) initiative,*** which presents the backgrounds and career paths of 16 plant employees who are passionate about their jobs and the tire industry.

The production plants are encouraged to **increase the percentage of women hires at all levels**, starting with operator positions. This involves **a holistic approach addressing everything from workstation ergonomics to employee break rooms**. For example, while the Group is assertively pursuing the break room maintenance and renovation plan launched several years ago, it is paying special attention to women's changing rooms to support the growing number of women employees in shopfloor jobs. As well, in Poland, **the agricultural tire production line at the Olsztyn plant has upgraded the ergonomics and organization of the tire inspection station, so that it can be 50% staffed with women**.

This commitment to working upstream with academic disciplines is gradually being extended to other jobs with a low percentage of women. In addition to manufacturing, priority functions include **sales, R&D (tire design and performance), IS/IT and digital technology**, where women are very underrepresented in the industry as a whole and, as a result, at Michelin as well.

In 2020, the Group launched a "*Women in Motion*" program that enables women employees to volunteer as job ambassadors, to help enhance the appeal of these jobs to women. The industry is leading the way.

Increasing the percentage of women in management

To fulfill Michelin's commitment to hiring and promoting more women managers, a dedicated action plan has been deployed in every Region. Particular attention is paid to the criteria used in defining and identifying people's potential for further career development.

Michelin was committed to **having women account for 30% of all managers by 2020.** Although the objective was not met by year-end, when the percentage stood at 28.2%, the proportion of women managers and supervisors[(2)] has risen steadily over the years from the baseline of 22.5% in 2013 excluding the dealership networks and recently acquired companies (see section 4.1.5 Summary table of employee data). To maintain this momentum and break the glass ceiling, the commitment has been carried over with a target of 35% in 2030, along with a second target of having woman account for 35% of Group Manager positions[(3)], versus 15.5% in 2020.

Worldwide, for the ninth year in a row, women accounted for **more than one-third (39%) of all administrative employees, technicians, supervisors and managers hired during the year.**

(1) See also: 3.1.3.3 Diverse profiles and experiences represented on the Board – gender balance on management bodies.
(2) Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.
(3) Employees with a level of individual responsibility of A to G, according to the Hay method used by the Group.

In Europe, several women were supported by a dedicated program comprising six months of coaching, both individually and as a group, followed by a year of mentoring. From 2010 to 2019, the program helped women to move more quickly and easily into higher level positions. It was deployed in China in 2013 and has been offered through an inter-company project in the United States since 2014. In 2020, the program was revamped and repositioned so that it can be opened to any employee (and not just high potentials) who feels like they are facing a glass ceiling because of who they are. The decision to implement the new version will be made in 2021.

Around the world, Michelin is committed to facilitating **work/life balance** with a variety of supportive benefits, including flextime arrangements, working from home *(see section 4.1.3.3 a),* daycare facilities and nursing rooms, financial aid for childcare, service centers and "Family Day" events.

Ensuring wage equality worldwide

Michelin applies a policy of non-discrimination and equal pay for equivalent profiles and positions. The same audited method for calculating wage data has been used worldwide since 2012, enabling comparisons between the pay levels of men and women in positions of equivalent responsibility. In 2018, the exercise covered a third of total employees (excluding the dealership networks and recently acquired companies). The job categories analyzed were managers, administrative employees, technicians and supervisors, for which a sufficient volume of data was available. The exercise is designed to identify the reasons behind any pay gaps among people with equivalent responsibilities, and then to close them with individual adjustments to compensation.

Closing these gender pay gaps is one of the objectives assigned every year to the Personnel Department managers in the countries concerned. **In 2020, the overall gender wage gap stood at -2.58%** (versus -2.67% in 2019), based on a sample of 35,085 people with the same level of responsibility[1].

As part of the Quality of Worklife: "people and their working environment" agreement negotiated in June 2020 in France by the unions and Manufacture Française des Pneumatiques Michelin (MFPM), the Group's gender wage gap was assessed by independent researchers at the National Institute of Demographic Research (NIDR). The study reviewed comprehensive compensation data for all MFPM employees, looking at both base salary and base salary plus additional compensation for each year since 2013. After factoring out such variables as age, seniority, job position and level of responsibility, the study showed that the residual value of difference in compensation between women and men is less than 1% in every employee category.

Lastly, since early 2019, MFPM has calculated and disclosed its **Gender Equality Index**, composed of five indicators measured in compliance with the precise calculation method defined for each one in French legislation. **In 2020, MFPM received a score of 93/100**.

4.1.2.2 d) Promoting employment for people with disabilities and retaining employees who become disabled

Defined in 2006, policies governing the employment of disabled people are designed to offer jobs to the disabled or to retain employees who become disabled at some point in their career. Michelin also systematically strives to meet or exceed legally mandated quotas wherever they exist.

This commitment was taken to the next level in 2015 with the signing of the **International Labour Organization's new Global Business and Disability Network Charter**. In 2019, the Group signed an **international partnership agreement with Handicap International (Humanity & Inclusion)** designed to develop worldwide expertise in the hiring and retaining of people with disabilities. **A pilot site is being deployed in Chennai, India**.

The Personnel community regularly meets with national stakeholders working on disability issues to improve its understanding of the different forms of disability, particularly of a psychological nature. In addition to combating discrimination, Personnel Department teams are made aware of the need to support the disabled in keeping their jobs.

Hiring the disabled is governed by legal standards that vary widely by country, in a reflection of sharply contrasting cultural differences. Some, like Canada, Russia, Serbia, the United Kingdom and the United States (where it is against the law to disclose information about a disability), do not require companies to hire a certain percentage of disabled people, while others, such as the Netherlands, have only incentive-based policies, and still others have imposed quotas.

These very wide disparities make it difficult to consolidate Group-wide data on disabled employment. Similarly, each country's Personnel Department is expected to identify areas for improvement and define action plans effectively aligned with local practices.

For example, to improve its ability to hire talented young people with disabilities, in 2020 **Michelin Germany partnered with the myAbility** organization to deploy, in 2021, the myAbility Talent® program, which will enable Michelin to position itself and be recognized as an attractive, socially responsible, inclusive employer for students of all abilities.

(1) Employees in categories 1 to 4, accounting for 38% of total employees on payroll in the Ambitions for 2020 scope of reporting. The sample did not include production operators.

In 2017, Michelin France supported its policies to hire and retain people with disabilities by (i) setting up the Handicap France taskforce, currently staffed with 23 disability employment officers, and (ii) deploying a results-oriented action plan focused on six core issues: hiring and onboarding, retention, training, sensitivity, communication and securing procurement from sheltered work centers and social enterprises. During the same year, a nationwide, three-year agreement was signed with AGEFIPH to sustainably underpin these policies and provide financial support, with a grant of €446,825 making a total budget of €1,671,350. **At MFPM in France, disabled employees made up 6.8% of the workforce in 2019 and the legally mandated 6% quota will once again be met in 2020**. In addition, MFPM has begun negotiating a disability agreement in line with the nationwide agreement.

4.1.2.2 e) Ensuring fairness and equal opportunity regardless of social, cultural and ethnic differences

Fostering multi-national management

Michelin is committed to nurturing the emergence of a highly skilled global team of local managers.

As part of this process, since 2013 particular attention has been paid to fostering the emergence of local managers(1) in the growth regions of South America, Southeast Asia, China, India, the Middle East and Russia, with the goal of having them account for 80% of in-country management. **In 2020, the percentage was 79%** *(see section 4.1.5 Summary table of 2020 employee data)*.

Paying special attention to identity and equal opportunity, in resonance with local issues

Diversities issues related to ethnic origins are amply addressed by initiatives underway in Europe and the United States, particularly as part of the hiring and induction process. In North America, a wide array of programs and initiatives are addressing the under-representation of women and black, indigenous and people of color (BIPOC) communities among Group employees. **In the United States, employee demographics are regularly reviewed to ensure that minority groups are represented in line with levels observed in comparable companies** (according to a federal government database). These reviews have led to purpose-driven initiatives to diversify internal and external hiring pools and develop employee career opportunities.

In response to racial tensions in the United States, North American management formed a strategic action team called (RISE)[2] – Responding to Racism, Injustice and Inequality through Sustainable Social Empowerment and Engagement – to support Michelin's commitment to combating racism within the company, the community and across the country. The team is successfully pursuing four main missions: increasing the diversity composition of the workforce, deploying a training program on unconscious bias, publishing a Diversities & Inclusion report with detailed demographic data, and forming an external strategic partnership.

In France, MFPM has been assertively deploying a results-oriented program in 1,514 disadvantaged neighborhoods in French cities since 2019. Based on four pillars – Raising awareness, Training, Hiring and Purchasing – it has led to partnerships with Second Chance Schools, the Cravate Solidaire association, the Tous en Stage association and other organizations.

4.1.2.3 Promoting responsible social dialogue

SDG 8.5, 8.8 and 10.4

Michelin's identity and philosophy have always impelled the Group to engage in an assertive social dialogue process, which it sees as a driver of sustainable performance. The Duty of Care Plan and the risk mapping exercise cover the quality of social dialogue as an issue, with the risks to the Group primarily concerning employer attractiveness, skills and employee engagement (see section 4.1.2.4 Supporting employee growth and development).

In 2015, Michelin issued its **Labor Relations Policy, which recognizes the positive contribution of freedom of association, collective bargaining and staff representation independent of management,** which are a source of proposals and ensures that employees' fundamental needs are taken into account in every host community. The policy has been explained in detail to the Group's 7,500 managers, from Executive Committee members to plant supervisors. Its application around the world is overseen by a Group Director of Employee Relations, who is also tasked with improving social dialogue where it falls short of Group standards. As a result of these efforts, significant improvements have been made in recent years in several host countries, particularly Thailand and Brazil. 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.

In a commitment to enhancing the effectiveness of the social dialogue process in all of its host communities, in line with their particular features and characteristics, Michelin has been a member of the Global Deal since 2017 and actively participates in its French platform set up by the Ministry of Labor. By bringing together a wide range of French multinationals, the platform offers many opportunities for members to share the best practices and approaches they have developed to encourage social dialogue. It also provided input during the Social G7 meeting held in Paris in 2019.

As announced in the 2019 report, it was in this same spirit that in late 2019 Michelin set up a Global Works Council. In so doing, the Group would like to attain a level of social dialogue commensurate with its image and capable of driving performance by means of an economic, social and environmental observatory: an innovative, interactive and inclusive body committed to seeking realistic solutions and which is open to the world and achieving a wider, fairer scope of employee representation in the various countries where Michelin operates. The Global Works Council was created in early 2020 with 39 employee representatives from all the Group's Regions. Unfortunately, the public health situation during the year forced the postponement of the first two meetings scheduled for April and October. The first meeting, which was to have brought the representatives together at the Ladoux research center in France, has been rescheduled for the first half of 2021.

(1) Calculated as follows: number of employees with a level of responsibility from A to I (top management) present in the region whose "home region" is a Growth Business Zone/ total number of employees with a level of responsibility from A to I present in the region.

4.1.2.3 a) An assertive social dialogue process

Demonstrating the intentions of the new employee relations policy

The notion of social dialogue, which implies, in particular, sharing key issues more broadly and deeply so as to encourage the entire workforce to participate in defining strategy, is gradually informing all of the Group's management practices. The Group provides all the information stakeholders need to form an objective, reasoned opinion and express it with confidence as part of the social dialogue process. The structure and content of this information are negotiated with employee representatives and comply with legal obligations in each country.

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. It therefore has to be managed responsibly, in tune with the three pillars of the Group's "All Sustainable" vision and commitments as a member of Business for Inclusive Growth (B4IG). In this regard, should restructuring be necessary, the Group takes care to ensure that all of the affected employees are reassigned or outplaced, while easing the impact on local communities with, in particular, revitalization initiatives. In addition, Group policy specifies that the project must be announced as soon as possible and carried out in accordance with the procedures negotiated with employee representatives.

In every country, meetings are periodically organized to share, in line with standard French practices, detailed financial and social information among local executives, line managers and employee representatives. Transparently explaining the issues so that they are understood by all parties creates conditions conducive to much more responsible dialogue during negotiations.

In France, talks concerning the industrial diagnostic reviews continued apace at each of the 15 production facilities, as part of the initiative launched in 2019 (see the 2019 Universal Registration Document). The initiative is designed to support the start, in early 2021, of a genuine co-construction process bringing together employees, their representatives and local management at each plant, so that informed proposals to improve plant competitiveness can be submitted with the full support of every stakeholder.

It is in this same spirit of fostering wider ownership and buy-in that the Group hopes to deploy the project to simplify its corporate and administrative activities, launched in first-quarter 2020 with broad-based involvement by all employees in every phase:

- during the diagnostic phase, which focused on identifying pathways to greater simplicity, 22,000 office workers from around the world participated in a survey to determine what caused the most complexity in their everyday tasks. In addition, at the three corporate facilities with the most employees (Ladoux, Les Carmes and Greenville), nearly 5,000 people took part in discussion forums and in working groups of a few dozen people, to gain deeper insight into the day-to-day workplace situations that create complexity. Unfortunately, these discussion forums were interrupted with the implementation of social distancing measures, but not before they brought together 1,800 participants. These diagnostics provided an invaluable foundation for the rest of the project;
- then, during the phase when simplification drivers were defined for the various situations described in the diagnostics, employee volunteers from around the world helped to devise possible solutions for each of the situations. In this way, more than 400 employees actively contributed to defining the potential improvement drivers as part of a co-construction process;
- the drivers aligned with each of the complex issues will be shared with all employees in early 2021, primarily via webcasts. The next phase, which will define the procedures for operationally deploying these drivers, will also engage a very wide range of stakeholders;
- lastly, during each project phase, the diagnostics and the drivers that emerged on each issue were regularly shared and constructively discussed with employee representatives in the countries concerned.

An increasingly mature social dialogue process and workplace environment in every Region

In Western Europe, conditions in the Passenger car and Truck tire markets have forced the Group to reconfigure its manufacturing footprint, in particular by terminating production operations at the plants in La Roche-sur-Yon in France and Bamberg in Germany announced in 2019. Nevertheless, responsible social dialogue has been constantly maintained with employee representatives, so that everyone can work together to jointly define the most effective procedures for implementing the restructuring process. The commitments made concerning both of these plants, not only to employees and their representatives but also to the local communities, are being fulfilled on schedule. Dialogue has been very constructive and, in the same way as for the Dundee plant a few years ago, the Group hopes to successfully demonstrate its "All Sustainable" vision in both facilities.

The quality of the social dialogue process was maintained in Brazil and Thailand, where the engagement rate continued to improve in 2020, as it did in North America.

Globally, the health crisis, which spread around the world from one region to another during the year, also revealed a very deep social cohesion across all our geographies, by strengthening ties between local management and employee representatives and increasing the frequency of their discussions to review appropriate responses. As expressed by the Executive Committee, the Group clearly made safeguarding employee health the absolute priority focus of every decision. In particular, whenever conditions prevented employees from being effectively protected against the pandemic, this commitment led the Group to implement dedicated organizational measures such as authorizing work-from-home and suspending tasks that could not be performed remotely. In each case the related procedures were readily discussed with employee representatives. When manufacturing operations resumed, local management and employee representatives in every country worked hand-in-hand to devise the health protocols implemented in response to local conditions. In the case of operations that were strategic for civil society (to supply equipment for emergency vehicles, farm machinery, military applications, etc.), certain manufacturing units were able to run 24/7 thanks to the dedication and hard work of everyone involved in defining the employee health protection procedures.

Lastly, from the moment the crisis emerged, managers everywhere did their best to maintain strong social connections among their teams, in particular through intensive communication when the local health situation kept employees away from their usual workplace. In a highly agile response, every possible means of communication was used to maintain strong social connections among employees.

Listening to employees via the annual engagement survey

Employee engagement is an important driver of operational excellence and the ability to meet the Group's performance objectives. Michelin has set the particularly ambitious objective of becoming a world-class leader in this area by reaching and maintaining an 85% employee engagement rate. The annual "Moving Forward Together: Your Voice for Action" survey measures the engagement rate and employee feelings about their work, in light of the seven aspects of the Group's employee value proposition. It was conducted across the Group for the eighth year in a row in 2020, with more than 88,000 employees participating. This represented an 89% response rate, a two-point increase on the prior year that underscores employee confidence in the survey and clearly illustrates how managers are increasingly using it to support the dialogue that drives improvement. Such a high response rate also ensures the credibility of the findings.

In 2020, the overall employee engagement rate increased by two points to 83%, with gains in the vast majority (80%) of the Group's Regions.

This year, to clearly identify possible pathways to improvement and respond to them in such unusual circumstances, the Group added five new questions to the survey to gauge employee perceptions of how Michelin was handling the health crisis. The responses showed that employees were particularly appreciative of the close connection forged with managers during the period (89% positive responses), and to the fact that each team was empowered to choose its priorities (88%). Overall, 86% of employees expressed a sense of pride in Michelin's management of the crisis. No doubt, this figure partly reflects the company's ability to use the health crisis as an opportunity to establish a more seamless social dialogue with all its employees.

Encouraging employees to submit Progress Ideas

First introduced in 1927, Michelin's pioneering participatory innovation process, known as InnovaGo, offers every employee the opportunity, spontaneously and at any time, to help drive continuous improvement across the Group by suggesting a Progress Idea or an Innovation Idea.

A Progress Idea offers a solution to improve working methods or solve a problem; an Innovation Idea opens the path to a new service or product for customers or outside stakeholders. Managers are expected to encourage their team members to submit these ideas and make them a reality.

The results attest to the success of the Progress Idea system in the Group, with **more than 24,100 employees** submitting at least one idea in 2020, or 32.9% of the workforce that had access to the process.

Of the total **50,131 ideas received in 2020, more than 20,900 were implemented during the year,** delivering improvements in areas of special interest to the Group, such as safety, quality, working conditions, cost savings, diversities and the environment.

Providing ample opportunity for information, dialogue and engagement

Engaging in more compelling forms of internal communication

In 2020, the Corporate Engagement and Brands Department explored a variety of ways to make internal communication more transparent, direct and interactive, with a focus on to strengthening the ties between employees and Group management.

The results of the annual Moving Forward Together survey provided invaluable support in fostering employee engagement. In response to the need expressed by employees for a better understanding of Group Management's vision and strategy, formats and content have been upgraded to communicate more quickly and to a wider audience.

A comprehensive system has been introduced, offering more opportunities for interaction between employees and Group Executive Committee members. These include Q&A sessions with corporate employees, interactive webcasts with employees in the Group's Regions, regular videos from Florent Menegaux and more frequent presentations by Executive Committee members to support and comment on major Group announcements.

The results of the *Vision and Communication* section of the 2020 Moving Forward Together survey attest to the positive impact of these internal communication initiatives, with 84% of respondents expressing confidence in Michelin's future, up five points from 2019. Similarly, confidence in the Group's management team and satisfaction with the information about what is happening at Michelin increased by four points over the year.

4.1.2.3 b) Offering fair compensation and benefits

Compensation, payroll taxes and other employee benefits

Personnel expenses amounted to €5,996 million in 2020.

	Personnel expenses in 2020 *(in € millions)*	Production operators	Administrative employees and technicians	Management staff	Provisions and provision reversals for pension obligations	Taxes and provisions
Group	*5,996*	*2,187*	*2,259*	*1,129*	*21*	*400*

For the entire Group, the allocation of personnel expenses by function (wages and salaries, payroll taxes, etc.) is presented in Note 7 "Employee benefit costs" in section 5.2 Consolidated financial statements for the year ended December 31, 2020.

Ensuring that compensation reflects each employee's performance and level of responsibility

Michelin is committed to offering every employee compensation that is personalized, fair and market-competitive, and that reflects his or her individual performance and level of responsibility. Compensation policies are implemented with a long-term view, taking into account each person's professional development, so as to enable people to advance according to their abilities and the needs of the Group. Compensation is also carefully aligned with evolving market conditions and local practices.

In every host country, compensation is competitively set and raised with a constant eye on achieving the right balance between employee satisfaction and financial performance.

In 2019, the Group decided to upgrade its variable compensation policies, in a commitment to:

- enhancing its ability to attract and retain talented employees in every host country;
- empowering and incentivizing everyone to meet our growth challenges;
- encouraging collaborative working methods;
- giving everyone a stake in the Group's earnings and sharing created value more equitably.

The new system will be founded on the following basic principles:

- a similar system for everyone, regardless of job position or business, level of responsibility or country;
- bonuses comprising the following components:
  - a Group Bonus for every employee, depending on how well the Group meets its objectives,
  - a Team Bonus, depending on how well shared objectives are met, thereby encouraging people to work more collaboratively;
- the bonuses will be indexed to the Group's results and if the objectives are exceeded, over performance will be rewarded;
- bonus amounts will be defined for each level of responsibility and aligned with job market practices in each country.

The new policy has been gradually rolled out to all Group employees since 2020. In France, since January 1, 2020, all employees, regardless of category, have been eligible for variable compensation in three tiers: a Group Bonus tied to the Group's earnings, a Team Bonus tied to performance in meeting shared objectives, and a discretionary profit-sharing bonus.

By the end of the first half, however, the health and economic crisis had pushed the Group Bonus targets out of reach. In these unprecedented circumstances, the Group introduced a Special Bonus to incentivize employees to meet new, more realistic targets.

Integrating CSR performance criteria into executive compensation

The Strategic Operations Group (GOS), which is made up of the top 100 senior executives, including the Managers, the members of the Group Executive Committee (CEG) and the Group Management Committee (CDG), is tasked with helping to define Group strategy and its execution.

Its members receive a portion of their annual compensation in the form of performance share rights, whose number depends on the member's:

- level of responsibility;
- country of posting (or of origin in the case of expatriates);
- performance against objectives, including managerial performance (ICARE model).

The performance condition is based on meeting three interrelated objectives that together demonstrate the successful deployment of Michelin's strategy: (i) a stock market performance objective – growth in the Michelin share price; (ii) a corporate social responsibility objective – improvements in the environmental performance of manufacturing operations (as measured by the Michelin Environmental Footprint) and employee engagement (as measured by the engagement rate); (iii) an operating performance objective – growth in revenue (excluding tires and distribution) and total return on capital employed (ROCE). These criteria are described in detail in section 3 of the Universal Registration Document, as part of the compensation policy for the Managers (see section 3.3.2.3.3 Long-term variable compensation: performance share rights).

If all of the objectives are fully met, the granted rights would represent no less than 20% of the fixed compensation of these employees.

Decent wage study

In 2019, the Human Rights Operational Committee initiated a study to determine whether Group employees receive sufficient overall compensation to meet their needs and those of their families. In 2020, an effective methodology was developed with the support of the Fair Wage Initiative, an expert in this area. Consulted on the issue in October 2020, the Corporate Stakeholder Committee encouraged the Group to pursue the study.

Offering a variety of supplementary compensation

Depending on the country and local labor market practices, employees may be offered various forms of supplementary compensation. In France, for example, the 2020-2022 discretionary profit-sharing agreement renegotiated with the trade unions is structured in two tiers:

- the first defines the profit-sharing framework applicable by each company;
- the second defines specific profit-sharing criteria for each plant or office, such as the achievement of production targets, the reduction in material waste and the digital certification rate. These profit-shares, which are paid in the first quarter of the following year, can amount to up to 8% of an employee's salary.

Employee benefit policies reflecting Michelin's social responsibility

Employee benefit policies, concerning mainly post-retirement benefits, insurance and health care coverage, reflect Michelin's social responsibility commitment. National benefit systems are supplemented to ensure that employees enjoy competitive benefits in most host countries.

Benefit policies and plans are continually updated in response to changes in the economic and legal environment.

Protecting employees from the consequences of an accident or illness

Michelin is continuing to deploy and upgrade systems to safeguard employees, as well as their spouses and children, against the potentially significant financial consequences of an illness or an accident. In most countries, health care plans cover medical expenses and insurance coverage guarantees an income in the case of short- or long-term disability or death.

A wide range of proactive workplace health and safety initiatives are being assertively deployed (see section 4.1.3.1 a). Systematically monitoring employee health to prevent and manage occupational illnesses, and public health campaigns on topics such as nutrition and vaccinations are regularly conducted on-site.

Supplementing national pension systems

With life expectancy on the rise, a growing number of countries have national pension systems that may not be sufficient to meet employees' expectations. In response, in certain countries, Michelin has implemented systems that provide employees with additional post-retirement income, in accordance with their length of service.

For more details concerning Michelin pension plans, please refer to Note 27 "Employee benefit obligations" in section 5.2 Consolidated financial statements for the year ended December 31, 2020.

Enabling every employee to become a shareholder on preferential terms

Michelin regularly offers employees opportunities to purchase shares of company stock on preferential terms through recurring employee share ownership plans. Following completion of the seven employee savings plans set up in 2002, 2003, 2008, 2013, 2016, 2018 and 2020, a total of **69,378 Group employees** in almost 50 countries around the world are now shareholders. In 2020, 49.7% of the 114,970 eligible employees invested in the plan. At December 31, 2020, they owned 2.0% of the Company's issued capital.

4.1.2.3 c) Transparency: information concerning redundancy plans, job retention initiatives and retraining, placement and support programs during the year

France

1. The new Michelin Group organization, as announced in 2017

In France, the impact of the Group's reorganization project led to the announcement of 970 redundancies among administrative employees and managers, all at the Clermont-Ferrand facility.

The agreement signed by a majority of employee representatives on December 4, 2017 offered as first priority voluntary early retirement, which was accepted by 970 people.

As of December 31, 2020, 915 employees had retired and 55 had been furloughed ahead of retirement in 2021.

2. The La Roche-sur-Yon plant

On October 10, 2019, MFPM announced its plan to close the La Roche-sur-Yon plant in France before the end of 2020, which would also have a direct impact on the semi-finished products workshop at the Cholet plant.

An agreement on job retention initiatives was signed with a majority of trade union representatives on January 23, 2020 and implemented on April 1, 2020. At that time, 613 jobs were eliminated at the La Roche-sur-Yon plant and 68 in the semi-finished products workshop at the Cholet plant.

As of December 31, 2020, 94 employees had opted for early retirement, 130 had accepted a transfer within the Group and 479 had been outplaced. Of the latter, 20% had found employment or started their own company, and more than 100 were attending training programs leading to certification or a diploma with the goal of finding a new job or starting a business.

A three-year revitalization agreement signed with the French government on June 30, 2020 will help to create 613 new jobs. Moreover, Michelin has initiated talks with public-sector partners in the region to devise a project to transform the site into a multi-purpose manufacturing, research and training park, focused on emerging technologies, sustainable energy and the factory of the future.

Italy

In Italy, support measures for people concerned by the programs to restructure local manufacturing and logistical operations announced in November 2015 were almost entirely completed in 2018.

To manage the impact of the Group's ongoing reorganization, collective early retirement agreements have been signed in the office facilities, which concerned 15 people in 2020.

1. Fossano plant

When the closure was announced in November 2015, the plant had 406 people on payroll. Production operations were finally terminated on May 19, 2017. As of year-end 2018, 406 solutions had been found.

Initiatives undertaken as part of the "SAMI" in placement program to manage the redundancy of around 30 people at the Cuneo plant were completed as planned in 2020.

2. Alessandria plant

The plan called for the closure of the Alessandria retreading facility, the expansion of the new Truck tire production operations and the construction of additional plant warehouse space. These measures were completed on schedule and solutions have been found for all of the impacted employees.

Germany

Bamberg/Hallstadt plant

The closure of the plant in Bamberg, Germany by early 2021 was announced on September 25, 2019, when the facility had 858 people on payroll. A redundancy plan was negotiated and signed in March 2020.

Despite the Covid-19 situation, by year-end 230 employees had been successfully outplaced. Most of the employees will be taken on by a transitional employment transfer agency (*transfergesellschaft*), which will support them in finding a new job.

Tire production operations were terminated on December 17, 2020, with a team of 65 employees remaining on-site until late 2022 to support the repurposing process.

A project to revitalize the site is now under way with the goal of creating new jobs and stimulating the local economy in the Bamberg area. It calls for the creation of a "Cleantech Innovation Parc" (CIP) as a home for sustainable technology companies, R&D institutions and universities.

Since 2020, the Group has been cooperating with the city of Hallstadt and the Bamberg district to give greater impetus to the revitalization project. The State of Bavaria has announced its support and Michelin is in contact with several companies and universities in the region that have expressed an interest in participating in the "Cleantech Innovation Parc".

United Kingdom

As announced in November 2018, the production plant in Dundee, Scotland was closed in June 2020. Over the 18 months leading up to the closure, every effort was made to support the employees and the local economy. A very broad array of initiatives were launched to help employees find new jobs, and as of year-end 2020, only six *of the 850 people on payroll when the closure was announced* were still actively job hunting. On December 31, 2020, the site was officially transferred to the Michelin Scotland Innovation Parc (MSIP), an innovative legal entity created by Scottish Enterprise, the Dundee City Council and the Michelin Group to help support the local economy. Comprising a skills academy, an accelerator program, an innovation hub, incubators and industrial units, MSIP will focus on "*low-carbon energy options and sustainable mobility*", while offering an innovative home for local, national and international companies to grow and create a large number of jobs in the region. Dozens of potential tenants have shown strong interest in the site, with the first ones relocating there in November.

Since January 2020, a Michelin development assistance program has been offering unsecured subsidized financing to local businesses and a major grant fund to encourage FDI companies to set up in Dundee.

4.1.2.4 Supporting employee growth and development SDG 4.3, 4.4 and 4.5

Risk factors

Michelin's strategy for the years ahead is built on four pillars: innovating with passion, growing to serve our customers, improving competitiveness across the board, and moving forward together (with mutual commitments between the Company and its employees). Michelin needs to refresh and adapt its capabilities to drive its growth in emerging markets, replace employees who are nearing retirement age, especially in the mature markets, and support its diversification. This means upgrading current skills-sets, and incorporating new ones, transferring knowledge and expertise, and encouraging employee mobility, both geographically and across businesses. For these reasons, maintaining our appeal as an employer and enhancing our induction, training and skills development initiatives for new hires will act as key enablers over this period.

Moreover, in a fast-moving competitive environment, being unable to attract and retain talent worldwide or effectively transfer our culture and expertise represents a significant risk that could prevent us from meeting our objectives.

Redefined in 2016, the Personnel function is now tasked with fostering an environment conducive to:

- the development of marketable skills, employee fulfillment and employee engagement;
- the performance of empowered, capable teams, which in turn contributes to the performance of the entire Group;
- the fulfillment of Michelin's social responsibility vision.

In 2018, the entire employee and team management and development process was overhauled, based on a new skills management system that any employee can openly access, depending on his or her workstation and job. This new approach is having a major impact on the empowerment and engagement that employees and teams demonstrate as they drive the Group's performance, while also enhancing everyone's sense of fulfillment.

To support this transformation, in 2018 the Group distributed a set of six policies dedicated to the core Personnel Department processes of Hiring, Employee Development, Employee and Team Compensation, Diversities & Inclusion, Employee Relations, and Health, Safety and Quality of Worklife.

The primary strategic indicator used to measure the outcomes is the annual employee engagement rate, as determined by the findings of the "Moving Forward Together" survey. The rate has been managed in every Group unit since 2016, with the goal of reaching 85% in 2020. Although it fell short of that target in 2020, **it gained two points, to 83% over the year,** maintaining the steady pace of improvement since 2013.

In parallel with the revamp in 2018 of the employee management system and the related migration to the new Workday HR information system, the new "Managing and Developing People and Skills" process was rolled out in every unit.

To support the Group's expansion, pro-actively manage its constantly evolving skills requirements and adjust to conditions in its local labor markets, the momentum generated by this new approach is being sustained by a strategic workforce planning process managed by the Group Competency Managers, each of whom is in charge of one skills-set (competency). These managers are led by a Central Coordinator, who in turn is supervised by the Corporate Executive Vice President, Personnel and the Executive Vice Presidents of the Business Lines.

Lastly, the Personnel Department's role is now focused on advising, supporting and ensuring the implementation of local enabling policies and procedures. Organizationally, this has led to the creation of two new positions, Development Partner and Skills Manager.

Workforce overview

The worldwide workforce declined somewhat in 2020, ending the year at an aggregate 123,642 employees[(1)], compared with 127,187 at December 31, 2019. Most of the contraction occurred in Europe and, to a lesser extent, North America.

The weighting of the respective operating regions remained unchanged. With more than 19,419 full-time equivalent employees nationwide, France accounted for 16.5% of the workforce and 8.6% of consolidated revenue.

NUMBER OF EMPLOYEES AT DECEMBER 31, 2020

	Africa, India, Middle East	North America	South America	Asia (excluding India)	Europe	Group total
EMPLOYEES ON PAYROLL, consolidated companies, under any form of work contract, excluding temp agency workers						
2020	7,467	22,627	8,443	18,787	66,318	**123,642**
2019	7,309	23,062	8,110	18,853	69,853	**127,187**
FULL-TIME EQUIVALENT EMPLOYEES OF CONSOLIDATED COMPANIES, excluding interns, work-study trainees, apprentices and temp agency workers						
2020	7,445	21,247	7,707	18,761	62,295	**117,454**
2019	7,304	22,276	7,514	18,808	65,436	**121,339[(1)]**

(1) The sum of the figures rounded up or down to the nearest whole number generates a one-FTE difference.

(1) Including the dealership networks and recently acquired companies.

4.1.2.4 a) Human resources planning and development

For the new skills development process to work, units and employees have to be informed and advised about the talents and skills needed both immediately and over the next three to five years. This means being able to accurately foresee the emergence of new jobs and skills-sets, and how they will inevitably evolve in response to the ever-faster transformation of our ecosystem. The growing speed of these changes is having a major impact on operating conditions in every Group business, increasing the need to encourage a behavioral shift to greater agility, responsiveness and cooperation.

Aware of these challenges, in 2020, Michelin prepared an upgrade to its strategic workforce planning (SWP) process for implementation in 2021. The process consists in identifying the potential risks involving the Group's skills and workforce needs over the next five years and recommending solutions to address them. Carried out in the form of major projects at both the operating region level and in the business units, it covers job families for which the Group Competency Managers have identified issues requiring a response (due to a new organization, significant changes in a job family or skill needs, etc.).

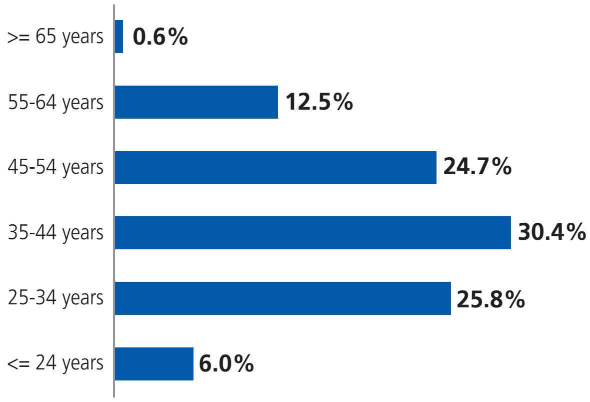
Diagnostic reviews have confirmed the following underlying challenges:

- the ability to attract and retain talented people;
- the development of people and capabilities, particularly the notions of re-skilling and up-skilling;
- competitiveness (compensation and efficiency).

The ultimate goal of the SWP process is to have the right number of skills in the right place at the right time and the right cost, so that Michelin can realize its ambitions in current and future markets.

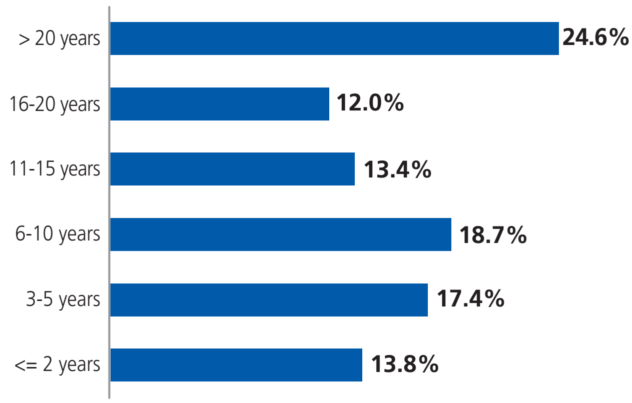
AGE PYRAMID

Group Personnel scope of reporting. The data presented in section 4.1.5 correspond to the Ambitions 2020 scope, which does not include the dealership networks.



SENIORITY

Group Personnel scope of reporting. The data presented in section 4.1.5 correspond to the Ambitions 2020 scope, which does not include the dealership networks.



Contract employees

In 2020, **contract employees represented 4.2% of full-time equivalent employees (FTE) Group-wide** (Group Personnel scope of reporting; 4% at the Ambitions 2020 scope).

4.1.2.4 b) Employer appeal, promoting from within, team succession plans

The new hiring policy introduced in 2018 reaffirmed the following vision:

"The Michelin Employer Brand is a factor of differentiation in hiring the people the Group needs, in addition to promotions and transfers from within the organization".

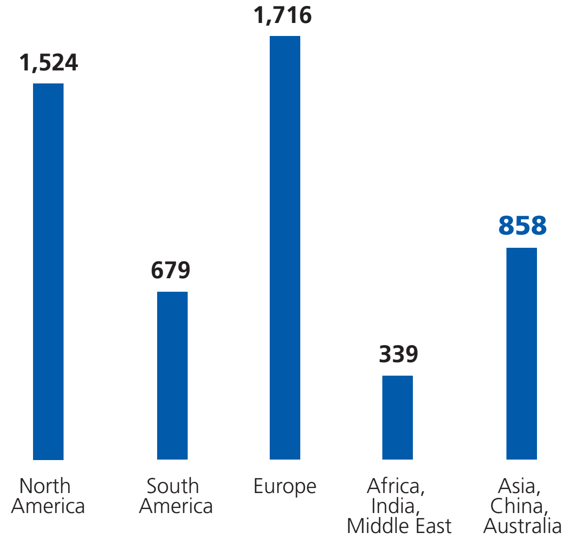
In 2020, each of the **more than 5,000 people hired under permanent contracts** during the year attended an induction program that guided them through their first days on the job and gave them first-hand insights into Michelin's culture and history. The program is also designed to deepen both their knowledge of the Group's history and values and their understanding of its strategy, organization and operating procedures. Experienced through seminars tailored to each employee category, the induction process encourages the development of communities and the ability to work collaboratively.

Michelin consistently prefers to promote from within. In 2020, as in 2019, 74% of managers had come up through the ranks after being promoted one or more times after their induction period. In addition, potential reviews serve as a basis for dynamically managing the people most likely to progress within the organization.

Employee movements as of December 31, 2020

New hires

New hires under permanent work contracts.
Scope: excluding the dealership networks and recently acquired companies.



A total of 5,116 people were hired in 2020, with **women accounting for more than 26% of the entrants.** After rising sharply around the world in 2018, the number of hirings contracted in 2020 in every region except South America, where they more than doubled year-on-year.

Separations by reason

Separations in 2020	Resignation	Dismissal/ termination by mutual agreement	Retirement	Death	Total
Group	3,500	1,911	2,341	114	7,866

Scope: Employees under permanent work contracts, excluding the dealership networks and recently acquired companies.

Separations tend to occur for three main reasons: (i) retirement, *which almost exclusively concerns the mature Regions (Europe and North America)*; (ii) resignations; and (iii) dismissals and terminations, which concerned around 2% of employees.

In all, the Group's **attrition rate stood at 6.2%** for the year.

In Europe, data reported from the Euromaster subsidiary covered 9,139 employees under permanent or fixed-term contracts at December 31, 2020[1]. From a base of 9,197 employees under permanent contracts on January 1, 2020, Euromaster added 1,509 new hires (of which 265 women) and recorded 2,188 departures during the year. The attrition rate rose sharply, to 22.6% excluding retirements, due to the specific features of the tire retailing industry.

4.1.2.4 c) Employee growth and development

A core component of the employee development policy, job mobility is now seen as a "differentiating factor needed to fulfill the Group's strategic vision. It is an indispensable lever for developing people, enriching their experience and improving their ability to take on broader responsibilities, for their own benefit and for the benefit of the Group." Offers of job mobility are based on potential reviews that assess behavior, results and skills.

The system deployed in 2018 ensures that employees are fully and transparently informed of the performance standards, development aspects and mobility opportunities for a given posting or job, in alignment with the needs of the Group's organizations and business lines and their own personal aspirations.

Team succession plans are now being managed by the team leader, and "underwritten" by the Personnel Department in a support role. As a result, keeping everyone aware of job vacancies is the cornerstone of the Job Posting process, which is now being deployed across the Group as part of the Workday human resource information system.

(1) The scope of reporting does not include the following countries, which account for around 7% of the workforce: Switzerland, Denmark, Portugal, Austria, Turkey, Italy, Poland and the Czech Republic.

In addition, a continuous individual skills development process has been introduced with three objectives:

- ensure that the person has the critical skills required for the job, thanks to certification by their manager;
- enable the person to improve their job performance, so as to increase their contribution to the performance of their team or unit;
- guide the person in their career development and offer them opportunities to move to a new posting, job or job family.

For this purpose, the Group has acquired a "skills dictionary" from Canadian company HRSG, recognized for its expertise in this area. In this way, each employee can self-assess his or her proficiency in skills that are no longer exclusively defined by the Group, which is one of the key vectors of employability.

4.1.2.4 d) A division of roles to support the process

Michelin is committed to "enabling every employee to take an active role in managing his or her career and professional development, with the support of line managers."

Each team has been assigned a Local Development Partner (PDP) and a network of Local Competency Managers (LCM), who all work together with team managers to cover the risk of a "skills gap":

- **the Development Partner**, each team's initial contact person, whose primary mission is to support managers in leading the personal and professional development of their team members. In terms of risk management, he or she ensures that Group policies are effectively applied on-site, at the front line. Depending on the circumstances, he or she is qualified to examine any Personnel-related appeals or requests;
- **the Competency Manager**, who is an expert both in skills management and in his or her job family. He or she supports the development partners in ensuring that the new skills management system is being properly deployed and used by managers and employees.

4.1.2.4 e) Enhancing skills through training

In 2020, in the context of the pandemic and extensive working from home, the operating regions agilely responded by transforming their in-person training into online courses and modules. As a result, the investment in employee growth and development was maintained, at a total of **3.1 million hours of training**, while the number of hours delivered online more than doubled over the year.

This is reflected in the **percentage of training hours per total hours worked**, which stood at **an estimated 2.0%** compared with 2.9% in 2019.

To deliver this average investment of **34 hours of training per person** on payroll, the Learning & Development function comprises 945 full-time professionals, of whom nearly half are dedicated to training production operators.

The "InTouch Learning" learning management system lets employees directly access both global and local training courses and content. Managers are automatically informed when one of their employees signs up for a course. Everyone is therefore free to choose the courses he or she needs, in compliance with local rules.

4.1.2.5 Encouraging employee and corporate engagement in local communities

SDG 8.3, 10.2 and 11.4

Michelin believes that the relationships with all its stakeholders, especially the communities near its facilities, are of paramount importance. As part of this holistic vision, the Group is getting all of its suppliers involved in the community engagement process, requiring them to meet its own high standards and supporting them through outreach.

The Group is also deeply involved in developing and promoting its host communities, by respecting and addressing their expectations and interests. This commitment is manifested in job creation initiatives, training programs, a significant proportion of local sourcing, the payment of local income and other taxes, support for the preservation of each community's natural and cultural heritage, and financial support for projects led by NGOs and associations.

These actions significantly enhance Michelin's impact in all its locations, thereby contributing to initiatives undertaken to prevent diminished attractiveness as an employer.

To coordinate these objectives more effectively, the Group has organized three major worldwide action programs: Local Community Engagement, Michelin Development, and the Michelin Foundation.

4.1.2.5 a) Dialogue with stakeholders

By "stakeholders," Michelin means the people or groups of people who are impacted by its business or who may impact it in return, so that corporate strategy reflects their needs and expectations. Building trustworthy relationships with stakeholders is an opportunity for the Group to improve its ability to foresee and purposefully challenge its social responsibility commitments.

Michelin has long nurtured broad-based dialogue with all its stakeholders, with regular, formalized meetings organized every year by the appropriate Group departments and led by one or several engagement managers for each category, including customers, investors, employee representatives, suppliers, public authorities, local communities, international organizations and NGOs.

Within the Group, the Sales, Marketing, Investor Relations, Purchasing, NGO Relations, Public Affairs, Employee Relations and Personnel Management departments, as well as plant communication managers, are responsible for understanding and responding constructively to the expectations of their stakeholders. This is why a wide range of contacts and meetings are regularly organized with stakeholders throughout the year, at both the corporate and local levels.

A corporate committee

The Corporate Stakeholder Committee is made up of independent outsiders, representative of the Group's key stakeholders, who are selected by a steering committee tasked with organizing Committee meetings and events. Steering committee members include the Executive Vice President, Engagement and Brands, the Executive Vice President, Personnel, the Corporate Vice President of Sustainable Development and Mobility, the General Delegate to the President for International Affairs and the Vice President, Sustainable Development.

Members of the Corporate Stakeholder Committee are chosen for their ability to represent the Group's various stakeholders, as well as for their expertise, geographic origin and interest in sustainable development issues. They are appointed for renewable three-year terms.

The Committee offers advice and support in assessing the alignment of Michelin's sustainable development strategy with outside needs and expectations.

In 2020, it comprised ten standing members from around the world and one observer member, all of whom were representative of the Group's key stakeholders, i.e., a supplier, two customers, a trade union, two NGOs (WWF and the International Federation for Human Rights), an investor, an international organization (the Global Compact), a philosopher, an academic and a Latin American transportation expert. In regional terms, they come from Europe, Asia, North America and Latin America.

On October 1 and 2, 2020, the Committee's fifth straight annual meeting was held digitally, given the prevailing health conditions. Breakout groups explored two issues, one dealing with **"People"** (**A decent wage: building an approach, scope and narrative, in association with in-house and outside stakeholders)** the other dealing with **"Planet" (TRWP[1]: communicating fully and transparently).**

The break-out groups presented their findings to the plenary session on the second day, which was attended by outside stakeholders and the entire Executive Committee, including the Managing Chairman. Far-ranging suggestions were submitted and summarized in a report sent to the outside stakeholders and Michelin senior executives.

Stakeholder meetings in several Regions

In 2020, restrictions to combat the health crisis prevented stakeholder meetings from being organized in the operating regions. However, regular online contact was maintained in most of the host countries to meet the expectations, and also the needs of local communities, particularly as regards the unprecedented circumstances stemming from the pandemic.

4.1.2.5 b) Creating local jobs and businesses with Michelin Development

Since 1990, more than 39,500 jobs have been created with Michelin Development's support, of which 28,000 in France.

Supporting local companies with expertise and funding

Michelin is actively involved in creating jobs through its Michelin Development subsidiary. The only organization of its kind, with a uniquely flexible approach, **Michelin Development** provides local companies with expertise and technical support in a wide variety of areas, including industrial organization, workplace safety, energy efficiency, quality management, sales and marketing, finance, hiring, international expansion, information technology, the supply chain and export sales.

This support can be backed by funding in the form of subsidies or five-year, low-interest, collateral-free loans, designed to create leverage with individual or institutional investors, thereby kick-starting a dynamic process of local job creation.

The start-ups supported in 2020 covered a very diverse array of businesses. Indeed, projects in any industry are eligible for support as long as they are sound and their champion is competent and motivated.

Over the past 30 years, Michelin Development has helped to create more than 39,500 jobs in France, Spain, Italy, the United Kingdom, Canada and the United States.

A sustained, active presence in local labor markets in France

Since it was formed in 1990, Michelin Development has helped to create around **28,000 jobs in France.** Formerly known as SIDE, it operated as a subsidiary before being merged into MFPM in 2015.

Most of Michelin Development's activities in France involve spontaneous support for local jobs. In 2020, it signed 99 agreements that committed Michelin to supporting the creation of **1,026 jobs** in local companies, backed by around €3.2 million in loans and subsidies granted during the year.

In 2020, a little less than a third of its financial commitments were dedicated to production plants being reorganized that were covered by revitalization agreements. This was the case for the Beauvais labor market, which was covered by a now-completed revitalization agreement following the reorganization of supply chain operations in Europe. In Clermont-Ferrand, the elimination of 970 managerial and other positions at the Group's headquarters in 2018 was also the subject of a revitalization agreement, which has already helped to create 600 jobs.

(1) Tire and Road Wear Particles.

During the year, the supported SMEs and SOHOs created jobs in a very wide variety of sectors, including (i) a manufacturer of electric tractors and a creator of digital building information models (BIM) in the Clermont-Ferrand labor market; (ii) a coffee roasting company that added collection services to its retail business, in a commitment to the circular economy, and a car and van retrofit electrification workshop in the Vendée region; (iii) a manufacturer of fire and bullet-resistant glass structures and a manufacturer of wood products for winemaking in Eastern France; (iv) a manufacturer of robot servo-mechanisms near Bordeaux; and (v) in Touraine, a designer of an online product texture analyzer.

Applying a similar approach in many countries

Since 2002, similar business development organizations have been set up in other European countries, such as **Spain, the United Kingdom and Italy**, where Michelin Development helped to create a total of **219 jobs in 2020.** The pandemic-related recession has significantly dampened the creation of new jobs, particularly among SOHOs, SMEs and start-ups.

Michelin Development's operations **in Spain** are managed by *Fundación Michelin España Portugal*, which supported the creation of **155 jobs** in 25 companies in 2020. Since 2004, Michelin Development has committed more than €7 million locally, enabling the creation of more than 4,200 jobs in over 660 companies based in labor markets around the Group's four Spanish plants.

In Italy, Michelin Development helped to create **37 jobs** in 2020. In response to the economic impact of the pandemic, support for local businesses ramped up in 2020, playing a fundamental role in keeping them running and preparing them for the restart of normal operations in 2021. Examples of results-oriented initiatives include (i) financing vocational reskilling courses for people impacted by the recession; (ii) helping to create proof-of-concept prototypes with the support of our production plants; (iii) participating in the national best start-up competition as a judge and sponsor; and (iv) launching finalized studies for circular economy projects (particularly for waste reduction and management). By working closely with universities, regional business associations and other stakeholders, Michelin Development Italy has helped to create nearly 2,450 jobs since 2005.

In the United Kingdom, 2020 was a difficult year, despite a good start to the economic support initiatives. At the former Michelin site in Ballymena, a new engineering design bureau has been set up with the support of a foreign direct investment (FDI) company. Inward investment initially created 20 new high-quality jobs in the business park, while opening up a number of fresh prospects. In Dundee, a new program targeting a broad audience of business owners and agents was launched in February, but in mid-March, companies began look for ways to reduce spending as the Covid-19 crisis spread. The restricted opportunities for business growth and development, as well as the extensive low-cost financial support offered by the UK government, clearly limited the impact of the conventional business growth solutions offered by Michelin Development, which in response focused on supporting its existing customers, in particular through loan repayment holidays and consulting. In all, **27 jobs** were created and £132,000 in funding was granted during the year.

From 2006 to 2019, **Michelin Development North America** invested more than $14.6 million in 209 small local businesses under four community engagement programs that have spurred the creation of nearly **2,020 jobs.**

4.1.2.5 c) Participating harmoniously in local community life through our employees

30,000 work days **a year dedicated to local community engagement activities by Michelin employees**

Michelin has a long tradition of social engagement, with a wide range of philanthropic and community outreach initiatives conducted locally and regionally by the plants, the country organizations, the Regions and, since 2014, the Michelin Foundation. Deployed since late 2013, the local community engagement program encourages employees to get involved in their communities.

Giving back to its host communities helps to enhance the Group's appeal as an employer. In addition, volunteer work enables employees to develop their capabilities in areas different from their daily jobs.

While the trend over the last five years has been for employees to devote more than 30,000 working days a year to community engagement (nearly 33,000 in 2019), the Covid-19 pandemic and resulting restrictions around the world caused a sharp decline in the number in 2020, although they did exceed **13,000 days**, either in person or online. Examples include:

- a program to enable young people to explore sustainable mobility start-ups in **Brazil**;
- road safety awareness campaigns in **China, Southeast Asia, Central America and Russia;**

- Family-oriented tree planting events to raise awareness of sustainable development issues in **Central America;**
- food drives and fundraising to support food banks in **Spain, Portugal and France;**
- a tutoring program for disadvantaged young people in **France.**

In addition, the decline in the number of employee engagement days was offset by an increase in donations. In all, more than **€9.3 million** was donated to or invested in outreach initiatives in the communities around the Group's plants and offices, including nearly **€3 million** donated to Covid-19 related programs. **Most of the initiatives and donations involved emergency assistance to help local communities overcome the distress caused by the health crisis.** In Southeast Asia, for example, **food was delivered** to hospitals and public infrastructure in partnership with the Michelin Guide, while in Italy, community engagement was expressed by **donating tires to equip more than 125 Red Cross ambulances**. Several Michelin plants around the world provided equipment and premises for medical centers. The Group also produced and donated around **three million masks** to help fight the pandemic.

4.1.2.5 d) The Michelin Foundation: demonstrating our corporate culture and values

More than €18 million allocated in 2020 by the Michelin Foundation to 98 projects

The Michelin Foundation supports outstanding, innovative projects aligned with the Group's humanist culture and values of respect, consistent with its business and meaningful to Michelin employees.

The Foundation is governed by a Board of Directors and a Selection Committee. The Board defines the overall priorities and rules on projects valued at €100,000 or more. Chaired by the Group's Managing Chairman, Florent Menegaux, it includes four Executive Committee members, an employee representative and three outside experts. Projects valued at between €5,001 and €99,999 are validated by the Selection Committee, which is comprised of eight members representative of the Group's operations or major corporate functions. Projects valued at €5,000 or less may be directly approved by the General Delegate, who manages the Group's philanthropic programs with the support of the Assistant General Delegate and a small team.

The combined value of the 98 projects financed by the Foundation in 2020 came to more than €18 million. Over the past seven years, more than 420 innovative projects have emerged thanks to the support of the Michelin Foundation, including the following in 2020:

- The ***VIA* road safety awareness program**, led by the International Federation of Red Cross and Red Crescent Societies (FICR), the *Total Foundation* and the *Michelin Foundation*, has already been rolled out in 19 vocational schools in France, 120 schools in India and eight schools in Romania. The program, which hopes to reach 100,000 young people over three years, is supported by a free online game in French and English, aimed at young people aged 10 to 18.
- Since 2018, the Foundation has supported ***Humanity & Inclusion***, which is deploying a program in more than 20 countries to promote the inclusive enterprise and support organizations in their commitment to inclusion, from sourcing and hiring to retaining disabled employees and developing their skills.
- In liaison with various public and private-sector mobility, transportation, energy and municipal stakeholders in Côte d'Ivoire, the **Climate Chance** association, supported by the Foundation, is leading a project to build a **national sustainable mobility roadmap** by 2050. Once complete, it will serve as a basis for strategies to develop transportation systems and implement the Paris Agreement in Côte d'Ivoire.
- The Michelin Foundation has pledged to support the **Institut Pasteur's** ambitious research program to **combat the Covid-19 pandemic**, which involves more than 50 units and 400 people on its Paris campus and a large number of researchers in the Institut Pasteur International Network. By the end of December 2020, nearly one hundred research projects were under development, including 56 at the Paris Pasteur Institute and 33 at institutions in the International Network.
- Following the fire at **Notre Dame Cathedral** on April 15, 2019, the Michelin Foundation provided funding to the Notre Dame Foundation in response to the urgent need to **secure and consolidate the building.** Thanks to the Paris Cathedral Fund set up by the Notre Dame Foundation, the first phase of securing the structure could begin, with 80 to 200 craftsmen working on a particularly vast, complex one-of-a-kind project.

4.1.2.5 e) Fostering relations with environmental protection associations

Whenever appropriate, Michelin fosters close ties with environmental protection associations and organizations. These initiatives concern not only the production facilities or the Technology Center but also office facilities. Partnerships are also being created with local, national and international associations, in particular to support biodiversity (see section 4.1.4.4 Supporting biodiversity).

In 2020, Michelin pursued the cooperation agreement with the World Wildlife Fund (WWF) signed in 2015 and renewed in 2018 to promote sustainable natural rubber around the world. The Group is a founding member and engaged supporter of the Global Platform for Sustainable Natural Rubber (GPSNR), a multi-stakeholder platform that encourages best practices across the natural rubber value chain. In addition to the WWF, several other NGOs are actively participating in the platform's activities, including Birdlife International, the International Federation of Human Rights Leagues, the Forest Stewardship Council, Global Witness, Mighty Earth, the Rainforest Alliance and EarthWorm. Lastly, the Group nurtures attentive dialogue with a wide variety of national and local NGOs to help protect the environment and encourage the development of good practices.

4.1.2.5 f) Addressing the risk of potentially negative impacts of our business on local communities

While its plants and other facilities deliver benefits to local communities, the Group is aware that they can also have potentially negative impacts.

In 2019, a work on designing action principles to prevent any risk of a negative impact on local communities has been engaged, based on four situations: when a new production plant is being built, when it is being operated, when it is closed down and when rubber plantations are bought and managed. Key principles included identifying possible negative impact risks, deploying remedial action plans, maintaining dialogue with neighboring stakeholders, introducing a complaints mechanism, focusing on hiring locally and training people in the local community. The WWF was consulted on the draft project.

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, resulting in recommendations that were followed by the Group. In Mexico, for example, before ground was broken on a new tire plant, the study found a risk concerning land rights in the local community. The Group then determined that it had the legal right to acquire the land and made sure that the project was beneficial to local economic development. In particular, it helped to finance the renovation of local public infrastructure and the creation of a vocational school.

4.1.3 EMPLOYEE HEALTH AND SAFETY

Risks related to the health and safety of employees and others in the workplace

Risk factors

Michelin directly employs more than 123,600 people worldwide and also uses temporary employment agencies and subcontractors. These people work in a very wide variety of environments, primarily in industrial facilities – where they use machines and equipment that range from manual to fully automated, depending on the type of product manufactured and the age of the machines – but also in logistics operations and dealerships.

Given the nature of our business, Group employees and temporary agency workers face a very diverse array of risks and obligations, depending on whether they work in a production plant or an office, on the road or behind a desk. For example, shopfloor employees are exposed to:

- risks related to site equipment and organization (mechanical and electrical risks, ergonomic risks);
- risks related to the general working environment (heat, working at heights, psychosocial risks, and exposure to country-specific risks such as political instability, terrorism or kidnappings);
- risks related to exposure to chemicals;
- risks of industrial accidents and natural disasters;
- risks related to handling tires and using tire-handling equipment.

Office-based, itinerant and sales personnel are exposed to:

- risks related to business travel (accidents and health risks);
- psychosocial risks.

These risks can have an impact on the health, well-being, and even the physical integrity of Michelin employees and other people who work in Group facilities. They are addressed by applying dedicated preventive and mitigation measures.

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 Affairs Department, the Sustainable Development and Mobility Department and the Corporate Administrative Services Office.

The Governance body meets twice a year to manage the Group-wide employee health and safety process. It determines the related policies, objectives and strategies, and ensures that appropriate resources are allocated to drive the timely, successful completion of the action plans defined and deployed to meet the objectives.

HEALTH, SAFETY AND QUALITY OF WORKLIFE POLICIES

In full alignment with its fundamental value of respect for people, Michelin is actively deploying a comprehensive range of health, safety and quality of worklife policies, as described in:

- the 2011 **Health and Safety Declaration;**
- the 2018 **Health, Safety and Quality of Worklife Policy,** the updated version of the Health Policy;
- the 2020 **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.

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

The Health, Safety and Quality of Worklife Policy defines the Group's fundamentals and vision, in alignment with its Sustainable Development and Mobility Ambitions for 2030 and 2050.

The Environment, Prevention and Security Guidance Letter specifies the short and medium-term objectives that will drive progress towards fulfilling that vision, while setting the guidelines that every unit must follow.

The Group's risk management procedures are also being applied to employee health, safety and well-being, as part of a disciplined continuous improvement process.

The policies are being implemented through the Environment and Prevention Management System, which is based on the international ISO 14001 and OHSAS 18001 standards. It is being applied in every facility to capitalize on best practices and embed them across the organization to drive consistent, continuous improvement. The system is auditable and audited.

Every Michelin facility is staffed with risk prevention professionals, such as OSH experts, ergonomists and hygienists, and health care providers, like doctors and nurses.

These professionals share best practices and leverage acquired experience at a regional, national and Group-wide level, as part of a continuous improvement process.

In the production operations, the Environment and Prevention Management System is an integral part of the operational excellence fundamentals of the Michelin Manufacturing Way (MMW) management system, which identifies and promotes good manufacturing practices.

In this way, a full array of improvement drivers are being activated across the organization. **Mandatory training courses and programs are helping to instill a culture of vigilance, engagement and alertness in every employee, both for themselves and for others. The emphasis is on encouraging employees to embrace and demonstrate this culture of safety in the workplace** (see section 4.1.3.2).

Improvements are being guided by a large number of indicators. To meet each objective, working methods, rules and practices are defined under the supervision of Group managers and audited by the Internal Control Department.

In recent years, a prioritized risk map has been created, based on data from standardized risk assessments conducted for every workstation.

These data are also being used to set priorities in the annual or multi-year action plans, which are supported by programs to drive continuous improvement in existing designs, equipment and processes.

4.1.3.1 Safeguarding employee health

According to the World Health Organization, "health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. The enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being."

Deployment of the Group Health, Safety and Quality of Worklife Policy is improving the performance of individual and general prevention programs, in particular by instilling a common vision and aligning practices among them.

Responding to Covid-19 with an effective health protocol

The Covid-19 pandemic impacted all of our host countries around the world.

As early as January, a crisis unit was set up for Group facilities in China. This was gradually followed by units in other regions and countries as the virus spread, with management centralized at corporate level.

A health protocol was quickly developed thanks to the close collaboration between the head office teams in the Corporate Safety & Environment Department and the Manufacturing Department, the Regional Health Coordination Units and the network of Regional Safety & Environment Managers, which played a decisive role in managing the crisis.

Designed to keep the business running while safeguarding employee health, the protocol was implemented prior to resuming any operations, with its rules steadily updated as knowledge of the disease improved. It has served as a benchmark for the operating regions and countries in deploying preventive measures in their production plants and offices, as well as in all types of business situations.

These protective measures were supported by a range of other responses, such as (i) protocols to manage patient care, contact tracing and self-isolation; (ii) organizational and work schedule adjustments to de-densify the workplace and enable social distancing; (iii) recommendations for break rooms, staff restaurants and employee transportation; (iv) ventilation guidance; (v) travel rules; (vi) the repatriation of expatriates and their families; and (vii) recommendations for organizing events.

It was left to the appreciation of local managers to apply all or part of these measures, depending on the state of the outbreak around their facility, the type of business operations and the national recommendations in effect.

The protocol was validated by an outside audit firm, which also verified its effective deployment in the production plants. The audit findings were shared with employee representatives.

Production output was successfully maintained at the targeted levels without any disruption, other than the curfews and lockdowns enforced by local authorities.

In answering the pandemic-related questions in the *2020 Moving Forward Together* survey, employees expressed a great deal of confidence in the Group's response to the situation, with an average nine out of ten, regardless of category, considering that the crisis was well managed by the Group. This augurs well for the resilience of both employees and the Group as a whole when they emerge from the crisis.

4.1.3.1 a) Systematically monitoring employee health, to prevent and manage occupational illnesses

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. Although the Covid-19 pandemic prevented the Medical Advisory Committee from meeting in 2020, the experts shared their expertise remotely to support the Group's management of the crisis.

A majority of employees are under the care of an occupational physician, in accordance with local legislation. **Medical check-ups** are offered to employees in the few countries, in Africa and the Middle East, that do not require companies to monitor employee health and lack the appropriate medical resources.

In the Regions and the large European countries, where the number of Group employees and national legislation warrant a local approach, health coordination committees are helping to align care systems and the deployment of the Health, Safety and Quality of Worklife recommendations.

Initiatives to prevent and detect occupational illnesses primarily concern the risks related to lifting, repetitive stress, physical exertion, noise exposure and chemicals.

Occupational illnesses are reported every year to help guide remedial action plans. The Group's definition of occupational illness depends on each host country's legislation.

The majority of the recognized occupational illnesses occurring Group-wide are associated with job-related physical activity. The program to improve workstation ergonomics is helping to reduce the occurrence of musculoskeletal disorders. To supplement the general protection measures, employees systematically wear personal protective equipment at workstations deemed at risk.

4.1.3.1 b) Safeguarding health and ability to work

To further protect employees from impairments in health or the inability to work, the programs to attenuate occupational risks are also supplemented with **local health education initiatives and public health campaigns.**

These programs are designed to instill healthy behavior in employees, both on and off the job.

Examples include:

- medical check-ups offered to employees in countries where access to healthcare is difficult or expensive (e.g., **China, India, Thailand, Russia and Brazil**), to provide care and enable early diagnosis of disease;
- medical check-ups introduced in 2018 for all expatriate employees and their families, regardless of their home or host country, before and during expatriation, to prevent at-risk situations. During the Covid-19 response, these check-ups proved especially useful in managing vulnerable people, some of whom had to be repatriated as a precautionary measure;

- encouraging employees to engage in physical activities and sports by installing fitness and athletic equipment and paying a portion of the registration fees for sports activities;
- awareness-building and prevention training concerning addictive behavior, nutrition, cardiovascular disease and other issues that may be defined in connection with local priorities. In some countries, these programs are organized as part of quality-of-life initiatives, such as "Balance", in Germany, *"De Bem Com a Vida" in Brazil, "Oxygène"* in France, and "Choose Well Live Well" in the United States.

4.1.3.1 c) Managing industrial hygiene risks to protect employee health

Industrial hygiene is an important focus of policies to protect employee health and safety, both on the shopfloor and in research and development facilities. These risks stem not only from chemicals, but also from harmful process fumes and the asbestos previously used as insulation or friction material.

Before any new chemical substance may be used, its possible risks are managed through a dedicated assessment procedure performed prior to issuing an authorization for use. The procedure gauges the substance's potential impact on human health and, if deemed hazardous, defines the conditions designed for safe use. In some cases, its use may be prohibited.

Every workstation features a product data sheet written in the local language and approved by industrial hygiene experts. Based on safety data sheets, these documents are managed by a global information system, which enables real-time document sharing among experts and ensures compliance with REACH standards in Europe and the Global Harmonized System (GHS) standards in the Group's other Regions. The sheets describe the potential hazards and conditions for safe use of products used at the workstation.

Group production facilities and tires are entirely asbestos-free and procurement contracts explicitly prohibit the presence of asbestos in any sourced part or machine. In addition, in recent years, procured machines and spare parts have been inspected to ensure that asbestos has not been reintroduced. Special checks are performed on products sourced from countries where asbestos use is permitted. These audits are particularly diligent in the case of newly acquired companies.

4.1.3.1 d) Improving production workstation ergonomics

Most occupational illnesses are the result of musculoskeletal (MSK) disorders, which are also the cause of some of the accidents recorded in certain types of production activities. 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 of the production facilities and certain logistics hubs regularly update their workstation maps to identify action priorities and deploy standardized solutions.

Every year, ergonomic issues across the business base are addressed by a dedicated capital budget, totaling €8.3 million in 2020.

Projects to improve ergonomics are implemented by ergonomist-led multidisciplinary teams comprised of managers, operators, prevention specialists and physicians. Each plant is deploying a five-year improvement plan.

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

4.1.3.2 Assessing and preventing workplace safety and security risks SDG 8.8

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." To embed a culture of safety and prevention in every aspect of the Group's business, three essential principles are being instilled across the organization:

- correct behavior begins with compliance with safety guidelines;
- through their active commitment, employees are responsible for everyone's health and safety, both their own and that of others;
- personal engagement drives continuous improvement.

This process emphasizes risk prevention, compliance, employee empowerment and management involvement, so that the Declaration is effectively demonstrated in daily work practices.

In recent years, a comprehensive, prioritized risk map has been created, based on data from standardized risk assessments conducted for every workstation. These data are also being used to set priorities in the annual or multi-year action plans. In France, they are consolidated into the comprehensive risk assessment review (Document Unique), which addresses all of the possible risk factors.

4.1.3.2 a) Managing workplace safety

A culture of safety at work embraced by employees across the organization, as seen in:

- the corporate communication media issued by the Group;
- the initiatives designed to get management, employees and other stakeholders involved;
- the promotion of strong managerial leadership, from the executive suite to the shopfloor;
- the sharing of best practices.

Two indirect metrics attest to the importance of safety for Michelin employees in 2020:

- 26,165 Progress Ideas were submitted by employees to address safety issues (44%) and working conditions (56%);
- as in 2019, 86% of the employees who responded to the "Moving Forward Together" survey felt that in their workplace "we never compromise safety to meet other targets" (costs, deadlines, etc.).

4.1.3.2 b) Protecting employees during a pandemic

International travel and postings

Surveillance of security issues has been heightened in response to the growing number of threats and tense situations potentially faced by Michelin employees, particularly when traveling abroad.

Each country is rated on a scale of 1 (lowest risk) to 4 (highest), with security guidelines and recommendations defined for each level. A country risk map, regularly updated by Group Security and posted on the intranet, serves as a point of reference in managing the security of employees traveling to or based in countries at risk.

Travel to countries classified as high risk (level 3) is subject to prior authorization and compliance with the prescribed security guidelines. No travel is authorized to extremely high-risk countries (level 4), such as Libya, Syria, Yemen, Iraq, Somalia, North Korea and Venezuela.

In 2020, increased threat levels and employee exposure in Brazil, Mexico and Turkey led the Group to maintain its priority focus and heightened vigilance in these countries.

The shifting nature of Islamist threats, particularly in Africa, Central Europe and Southeast Asia, is still being closely monitored with special attention.

In 2020, the Covid-19 pandemic had a major direct impact on the monitoring and management of Michelin employees traveling or working outside their home countries.

The threat to employee health and the attendant risks, particularly to personal safety, prompted a rapid shift into crisis mode in the early phase (February to April), followed by agile adaptability, responsiveness and tight coordination among the health, travel, international mobility and other stakeholders.

In the operating regions, the Security Managers played a decisive role in reporting information, drafting and distributing the protocols and leading the various programs.

Business travelers

In 2020, the primary risk addressed in monitoring business travel was Covid-19. As soon as the crisis emerged, each country was assigned a "health risk" rating based on the state of the outbreak and local conditions, which was used in addition to the customary "security risk" rating. Likewise, once the crisis hit, every trip became subject to prior approval.

To maintain business continuity, a strict health protocol was issued across the Group, specifying generic guidelines applicable during any travel authorized by the Group. In addition, travelers were expected to comply with any health measures mandated by the worsening of the outbreak, such as quarantines and PCR tests, which were specified when the trip was approved.

Three different travel management scenarios were defined to address Covid-19 risks:

- ***Domestic travel***

Authorized after validation by the manager, in compliance with the rules and restrictions mandated by the county organization and the protective measures defined by the Michelin Group.

- ***Intra-regional travel***

Authorized only for trips deemed to be "*business essential*[1]" within the same operating region (e.g., Intra-Europe in Southern, Northern and Central Europe). Requests are first submitted to the manager, who then confirms his or her validation with, successively:

- the President of the outbound operating region or a Group Executive Committee member (for the "business critical" designation);
- the Security Manager of the outbound operating region, to approve the applicable health and safety procedures.

- ***Inter-regional and intercontinental travel***

Authorized only for trips deemed to be "*business critical*[2]" with a Group-wide impact. Requests are first submitted to the manager, who then confirms his or her validation with, successively:

- the President of the employee's operating region or the Group Executive Committee member in charge of the business line (to confirm the "*business critical*" designation);
- the Security Manager of the employee's operating region or the Corporate Safety and Environment Department to approve the applicable health and safety procedures.

During periods of high virus circulation, the Corporate Security Department systematically prohibited all international travel to certain destinations, such as China, Italy, Mexico, Brazil, India and Spain. As a result of these restrictions, the number of intercontinental and other trips fell considerably in 2020.

All of these measures, along with the careful monitoring of each traveler, helped to reduce exposure to the virus. In 2020, there were no cases of Michelin employees catching Covid-19 while traveling.

(1) ***Business essential***: *when the assignment is essential to the unit's on-going business and efficient operation.*
(2) ***Business critical***: *production and sales activities deemed to be critical for the Group's business and operations. A vital function without which Michelin could not continue to operate or maintain viability. If a critical business function is interrupted, Michelin could suffer serious financial, legal or other damages or penalties.*

Expatriates

The same precautionary principles were applied to the safety of expatriates and their families.

Backed by the same crisis management organization, dedicated measures were very quickly put into place, according to three main scenarios:

- **Scenario 1**: Keeping the expatriates in-country, with a stricter health protocol, when the quality of support and local infrastructure was aligned with the state of the outbreak and capable of providing proper care in the event of infection.
- **Scenario 2**: Voluntary repatriation of expatriates and/or their families in countries with high virus circulation, where the quality of the local health infrastructure and the possibility of organizing a medical repatriation were deemed acceptable (e.g., in China).
- **Scenario 3**: Mandatory repatriation of expatriates and/or their families when the quality of local health infrastructure and/or the ability to arrange for medical repatriation were deemed inadequate. This was the case for Indonesia, India, Côte d'Ivoire, Kenya, Ghana and Nigeria. Most of these repatriations were organized in liaison with the Crisis Center, the French Ministry of Foreign Affairs, and the consulates of the countries concerned.

4.1.3.2 c) Measuring and tracking occupational accidents

In 2020, a review of the consolidated, Group-wide data for the year enabled management, the ergonomist and the occupational medicine team to prepare effective health and safety improvement plans. Information, awareness-building and training programs continued to be conducted for the designated health and safety experts in every region and time zone.

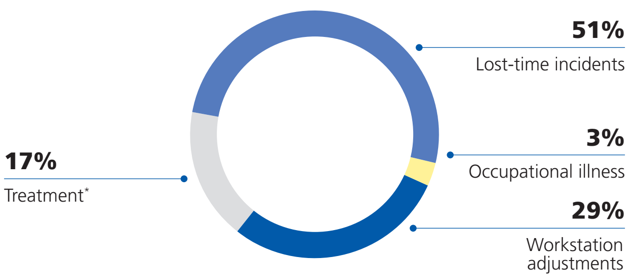
In 2018, a new indicator, TA+, was introduced to track the frequency, with or without lost time, of a list of accidents that the Group has prioritized. It supports a more granular approach to these accidents, while helping to improve the consistency of multi-country data. The number of TA+ accidents is recorded by a dedicated committee chaired by the Group Safety Manager. The committee meets once a month with members of the Safety Department and the Group physician after monthly indicator data have been reported.

Tragically, two fatal work-related accidents occurred in 2020, one at the plant in Fort Wayne, Indiana in the United States during work on a curing press, and the other at the Port of Rotterdam while changing tires on a port handling machine.

The causes and circumstances of all these accidents were thoroughly investigated by the authorities and Michelin, which took protective measures to improve everyone's safety. Continuously improving Michelin's health and safety performance remains, more than ever, one of the Group's top priorities.

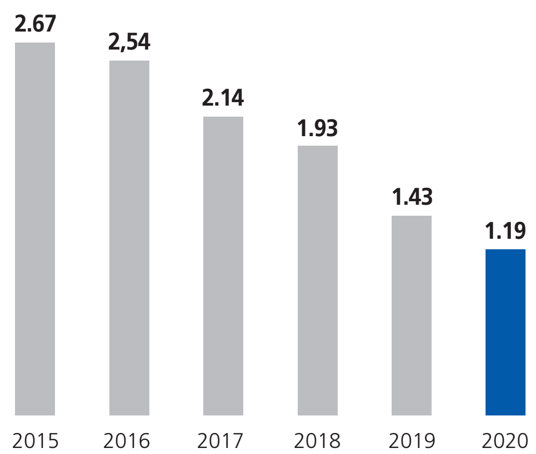
Consolidated TCIR declined to 1.19 in 2020 from 1.43 the year before, primarily due to the very robust 22% reduction in the manufacturing operations.

ANALYSIS OF 2020 CONSOLIDATED TCIR



* *Treatment represents more intensive medical care than first aid, which involves stabilizing victims by cleaning their wounds or keeping them cool or warm. The various types of first aid have been identified in a list.*

IMPROVEMENT IN CONSOLIDATED TCIR



The Group's objective is to push the TCIR to below 0.75 in 2025 and below 0.5 in 2030 (including temp agency workers).

4.1.3.3 Well-being in the workplace: improving work-life balance

Michelin wishes to create working conditions that foster a sense of balance and personal well-being. Initiatives are being deployed to improve the workplace environment and organization. In addition, the country organizations and plants have been empowered to make headway on local priorities, in accordance with the needs expressed by their employees.

The "Moving Forward Together" survey[1] continues to demonstrate that, in general, employees would primarily like to enjoy a better balance between their personal lives and work.

4.1.3.3 a) Adjusting working hours

Extensive adjustments in response to the Covid-19 crisis

Although initiatives to adjust employee working hours were pursued in 2020, their implementation was upended by the Covid-19 pandemic.

To restrict the spread of the virus and maintain business continuity, telecommuting solutions were extensively offered to employees who could work from home. The Group's IT resources, the quality of its IT infrastructure and the opening of remote access to secure applications enabled these solutions to be deployed very quickly for all of the positions concerned.

During the crisis, many employees experienced these fresh ways of working for the first time and were pleased with the outcomes (see section 4.1.3.1 Safeguarding employee health/A health protocol to respond to the Covid-19 pandemic).

In the manufacturing operations, where most of the workforce had to be physically present, some plants adjusted working hours to limit people mingling during shift changes, particularly at entrances and exits, in the changing rooms and in the showers.

Local initiatives to encourage telecommuting are still being promoted.

Teleworkers feel that one of the main benefits is the significant reduction in their weekly commute, particularly in Brazil, Romania, the United States and other countries where traffic congestion is on the rise. Operations in Germany, Canada, Spain, France and the Nordic countries have introduced work-at-home options in response to the need expressed by employees for a better work-life balance.

As part of its commitment to diversities, special attention is paid to requests from disabled employees, pre- and post-maternity leave employees, seniors and people working part-time after sick leave *(see section 4.1.2.2 d)*.

Initiatives for production operator work schedules

While more challenging to implement for operators working in a variety of shifts to keep production plants running around the clock (3x8 hours, 4x8 hours, 5x8 hours, 2x12 hours), a number of shopfloor work-life balance initiatives have been deployed, in particular as part of the empowerment process. Any adjustments to production schedules are announced as far in advance as possible.

Offering more flexible part-time options

Michelin continues to encourage part-time working, which plays an important role in improving quality of life and work-life balance, while opening up job opportunities for people from diverse backgrounds. Procedures for implementing these arrangements vary by country, depending on local legislation, expectations and practices. To the extent possible, they also reflect input from employee representatives.

At constant scope of reporting (Ambitions 2020), **3% of employees chose to work part-time in 2020.** This percentage was significantly higher at Euromaster, at 8.3%, lifting the total to 3.5% for the Group Personnel scope of reporting.

PART-TIME EMPLOYEES BY GENDER

	Women		Men		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Production operators	6.0%	6.2%	2.7%	3.5%	3.1%	3.9%
Administrative and technical staff and supervisors	7.4%	7.6%	1.3%	1.4%	3.1%	3.3%
Management staff	6.4%	7.2%	0.8%	1.0%	2.2%	2.6%
GROUP TOTAL*	**6.7%**	**7.0%**	**2.2%**	**2.8%**	**3.0%**	**3.6%**

* *Scope: Employees on payroll under any form of work contract, excluding temp agency workers and excluding the dealership networks and recently acquired companies.*

(1) *See section 4.1.2.2 a) An assertive social dialogue process/Listening to employees via the annual engagement survey.*

4.1.3.3 b) Quality of worklife: listening to needs and measuring performance

Improvement plans to address employee needs

In a large majority of plants and offices worldwide, initiatives to improve the quality of worklife (QWL) are underway with the active participation of employees and, whenever possible, their representatives.

These and other programs to enhance the quality of worklife are being incorporated, with employee input, into each facility's improvement action plans by on-site Health, Safety and Quality of Worklife Steering Committees.

Positive quality-of-worklife scores in the engagement survey

In 2020, 77% of the 88,000 people who responded to the Moving Forward Together survey were satisfied with their quality of worklife (76% in 2019). This overall result reflects how employees feel about their work-life balance and personal job fulfillment, their workplace environment and workstation safety issues. Work-life balance remains a priority for employees. The percentage of employees who feel safe at work remained high, at an excellent 86%.

4.1.3.3 c) Psychosocial risks: adapting preventive measures to local cultures

In a commitment to safeguarding employees from the psychosocial effects 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. Deployed in most of the Group's host countries (North America, Spain, France, Hungary, Poland, Romania, the United Kingdom and Serbia), these measures are helping employees to protect themselves, while improving the ability of managers to detect and respond to at-risk situations;
- **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 Germany, North America, South America, China, Spain, France, Hungary, Poland, Romania and the United Kingdom;
- **tertiary prevention,** through coaching, relaxation therapy, support groups and individual counseling by a psychologist or occupational physician.

Since 2018, some of the Group's psychosocial risk prevention programs have been audited by the Internal Control Department, to determine how well the corresponding resources have been deployed.

During the current period of corporate reorganization, employees at the facilities in Clermont-Ferrand, particularly the head office and the research center, have been able to attend personal or group support sessions provided by psychologists from a specialized firm working closely with the Personnel Department and the occupational medicine team.

Almost all of the plants and offices are leading quality-of-worklife programs that help to **attenuate stress** or facilitate access to medical or psychological assistance for people seeking support.

In the Moving Forward Together survey, the consolidated indicator measuring employee satisfaction with the prevention of psychosocial risks stood at 76% for the entire Michelin Group. The highest satisfaction rates were earned by the sub-indicators concerning the quality of Michelin-delivered products (95%) and services (89%)(1) and the feeling of safety in the workplace (86%). The strongest expectations concerned the need to simplify work and processes.

The impact of digital technologies on employees

In 2020, the Plein Sens consulting firm submitted the findings of its study on how changes wrought by the use of digital technologies are introduced to and experienced by employees. In presenting the findings to the Michelin European Works Council, as well as to a number of Group executives, the firm emphasized the need to continuously improve two points in particular:

- the involvement of teams at every level in implementing projects with digital content;
- the forward-looking planning of the necessary skills upgrades.

In 2021, these findings will be cascaded across the country organizations, so that these two issues can be discussed in greater depth with employee representatives and other, more locally specific aspects can be addressed.

(1) These issues are addressed in the consolidated indicator for psychosocial risks because they have a strong impact on whether employees feel that their jobs are meaningful.

4.1.4 THE ENVIRONMENT

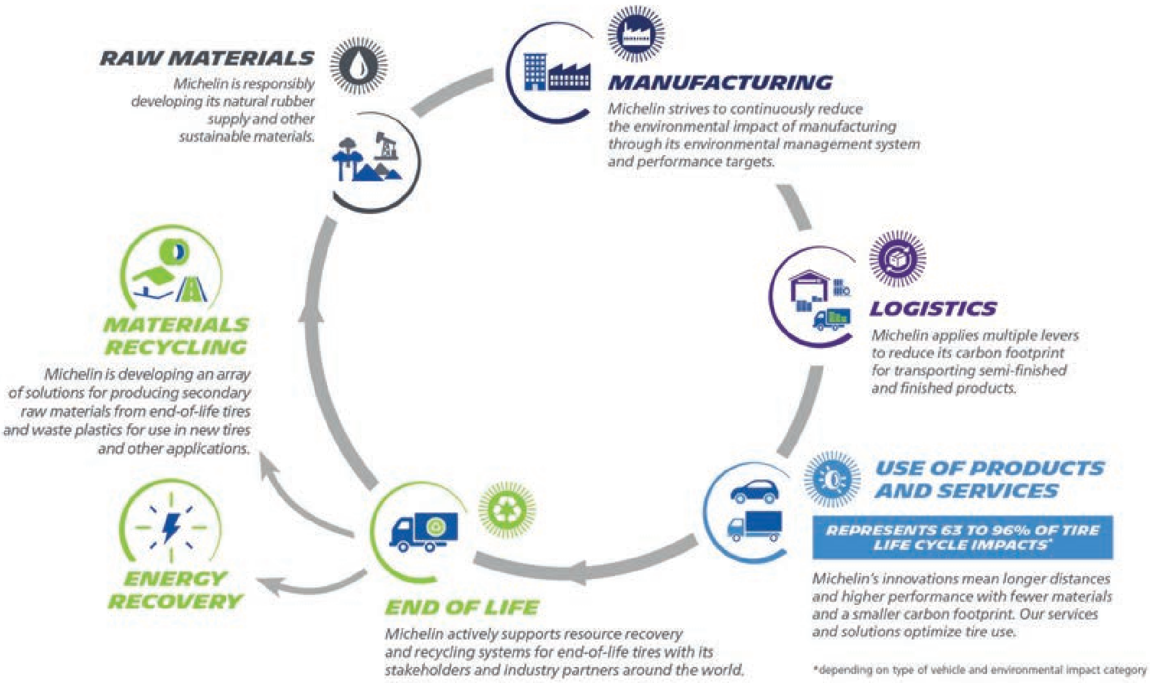
Respect for the environment is one of Michelin's five core values, as expressed in 2002 in the *Michelin Performance and Responsibility Charter* and reaffirmed in 2012 in the *Michelin Performance and Responsibility Charter: A Better Way Forward document.*

The Group's commitment to an all-sustainable vision in its business operations, based on the triple bottom line (people, planet and profit), was further demonstrated in 2020 with the validation of the new version of its Environmental Policy.

In exercising its social responsibility, Michelin has, in recent years, assessed and addressed the environmental impact of its operations across the entire life cycle of its products, from the extraction and processing of raw materials to product use and on to end-of-life recycling and reuse.

Life cycle assessments have shown that production phases, from raw materials to finished product, can account for up to 30% of a tire's environmental impact, compared to up to 96% for the in-use phase, depending on the type of tire and vehicle.

LIFE CYCLE OF THE TIRE



In response, Michelin has deployed policies to (i) attenuate the risks arising from the environment footprint of its products and services, its manufacturing and logistics operations, and (ii) help to mitigate climate change. Targets for improvement have been set and performance indicators have been introduced in all these areas.

In 2020, this commitment was expressed in the preparation and publication of the new Michelin Environmental Policy, which is designed to manage pollution risks and shrink the Group's environmental footprint down to an overall neutral impact. It defines and prioritizes both the levers to be activated to "avoid, reduce and renew" and the medium-term issues for action, in line with the scale of challenges they represent throughout the product life cycle. In this way, the new policy, which applies to every Group unit, will effectively align the initiatives under way in the different business segments with the Group's environmental goals and its 3P-based all-sustainable vision.

In addition, the Group is actively engaged in the circular economy through the "4R Strategy," which is designed to address the challenges of resource conservation and end-of-life product management by activating four levers: Reduce, Reuse, Recycle and Renew.

The following section presents the outcomes of the environmental policies now in place.

It does not cover the dealership networks, as they do not have any manufacturing operations, and their key environmental impacts are estimated to be low (less than 5%).

ENVIRONMENTAL GOVERNANCE

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 Director and coordinated by the Sustainable Development Director. Other members include the Executive Vice President, Research and Development and eight other standing members representing the Standards and Regulations Department, the Sustainable Development and Mobility Department, the Materials Research Department, the Risk Management Department, the Purchasing Department, the B2B On-Road section of the Research and Development Department, the Corporate Information Systems Security, Safety & Security and Environment Department, and the High-Tech Materials Business Line.

The Environmental Governance body meets two to three times a year. It validates environmental policies, objectives and strategies, and tracks the proper execution of the action plans deployed to meet 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 weak signals, assessing emerging risks and identifying opportunities to reduce environmental impacts[(1)].

4.1.4.1 Helping to mitigate climate change SDG 13.1, 13.2 and 13.3

4.1.4.1 a) Reducing the carbon footprint and managing the energy transition

Climate change risks

Climate change poses a multitude of risks, which require concerted action by all of society, including public authorities, businesses and consumers. **The Michelin Group has identified the following main risk factors: (i) extreme weather events, which could have a potential impact on business continuity and employee safety; (ii) energy transition costs in the Group's operations; and (iii) CO_2 emissions linked to the use phase of tires, as well as from manufacturing operations and logistics (transportation of semi-finished products between Group production plants, delivery of tires to points of sale around the world)**[(2)].

Given the challenges that climate change poses for both society and its own business operations, the Michelin Group is supporting the energy transition and low-carbon mobility by deploying policies defined in 2015 and structured to meet five priority objectives:

- reduce CO_2 emissions from its manufacturing operations in absolute value, with the goal of reaching net zero emissions by 2050;
- reduce CO_2 emissions from activities in both the upstream and downstream value chain;
- reduce the amount of energy associated with tire use;
- capitalize on its expertise, culture of innovation and advanced research to develop new technologies, new low-carbon energy sources, and new forms of mobility for people and goods;
- support the introduction of a global carbon pricing system.

Reducing the absolute value of CO_2 emissions from manufacturing operations

OUR GOALS: To help fight against climate change, Michelin has been measuring and steadily reducing its CO_2 emissions since 2005. In 2015, during the COP 21 conference in Paris, the Group pledged to cut CO_2 emissions from its plants in half by 2050.

Since then, the Group has raised its objective and is now aiming to achieve, by 2050, zero net CO_2 emissions from its entire production base (Scopes 1 and 2). This is consistent with the scenarios developed by the scientific community to keep global warming to 1.5°C[(3)].

For 2030, the Group has set an intermediate milestone corresponding to a linear pathway to improvement, which is to reduce emissions from its production plants by 50% between 2010 and 2030, i.e. a 25% reduction from 2019 to 2030.

OUR LEVERS FOR ACTION: The emissions reduction program is built around two major processes:

- consuming less (energy efficiency);
- consuming better (energy transition).

(See section 4.1.4.3 c) Reducing energy use and greenhouse gas emissions).

Because the challenge of carbon neutrality can be met only if global energy demand is kept under control, the Group has defined a "virtuous hierarchy of levers," applicable to every project impacting the energy consumption of its production plants.

(1) See section 4.1 Michelin Sustainable Development and Mobility Report/Governance/Oversight by the Group Management Committee.
(2) See section 2.1 Risk factors specific to Michelin, description and related management systems/Risk 1 – Environmental policy misaligned with stakeholder expectations.
(3) "In model pathways with no or limited overshoot of 1.5°C, global net anthropogenic CO_2 emissions decline by about 45% from 2010 levels by 2030 (40–60% interquartile range), reaching net zero around 2050 (2045–2055 interquartile range)." IPCC Special Report: Global warming of 1.5°C.

THE PRIORITIZING HIERARCHY OF LEVERS

Scrutinize demand
(design and size)

- Instill an "energy-efficient" culture

Energy efficiency levers

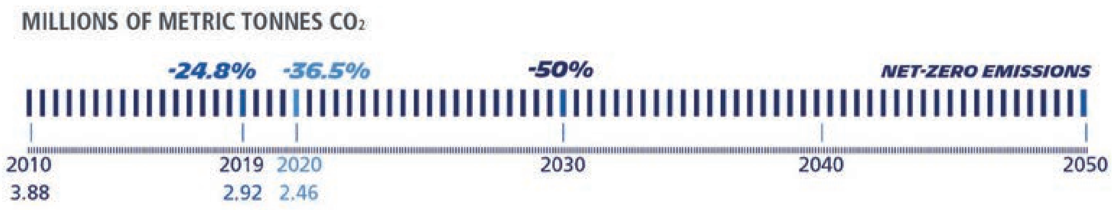
- **Reduce by doing more with less-**, *Insulation, automation. More energy-efficient equipment*
- **Reuse by closing** heat transfer fluid loops
  Recycle by capturing heat for another application.
  Install dual-flow ventilation and heat pump systems

Emission factor levers

- Use of renewable energies

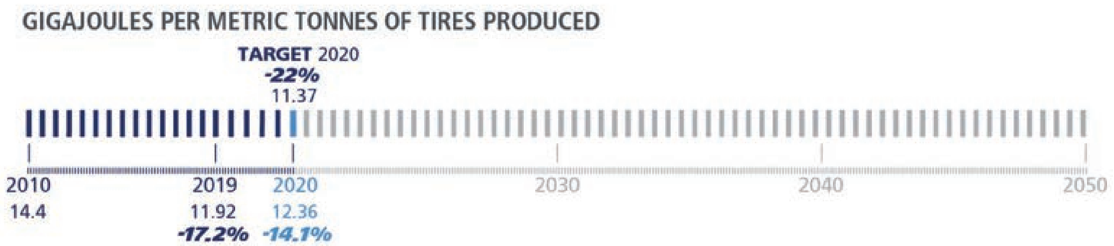
The performance indicators are as follows.

CO_2 EMISSIONS FROM PRODUCTION PLANTS



(2018: 3 million tonnes of CO_2; 2018 vs 2010: -22%)

ENERGY EFFICIENCY OF PRODUCTION PLANTS



(2019: 11.92 GJ/t FP; 2019 vs. 2010: - 17.2%; 2018: 12.06 GJ/t FP; 2018 vs. 2010: -16%)

The 2020 performance was severely impacted by the Covid-19 crisis, with tire production volumes declining by 16.2% over the year. This explains why the 2020 target expressed as energy consumed per tonne of finished product was not met. Given that a proportion of consumed energy is fixed, it could not be reduced in line with the contraction in production volumes.

The Group's carbon footprint

Michelin regularly updates its inventory of CO_2 emissions from its operations and activities in accordance with the Greenhouse Gas Protocol[(1)], which defines three scopes of reporting based on emissions source. The inventory is calculated for an overall base corresponding to the Group's financial reporting. The most recent inventory is shown in the following table. The methodology and the data used (20% of Scope 1 and Scope 2 data and 100% of Scope 3 data) were reviewed by independent third parties in compliance with standard ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

(1) See Methodology/The carbon footprint of products and services.

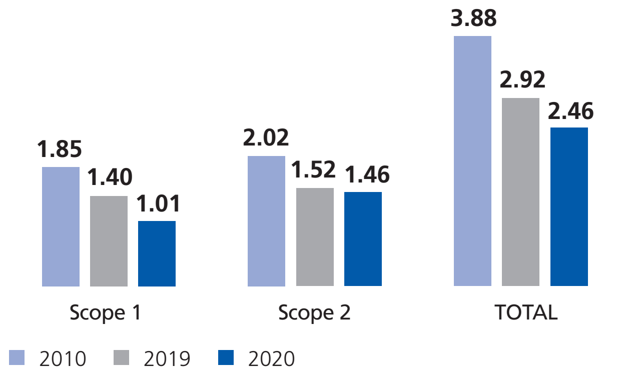
INVENTORY OF SCOPE 1, 2 AND 3 CO_2 EMISSIONS

Scope of reporting *(for the purpose of measuring greenhouse gas emissions)*	**Inventory** *(millions of tonnes of CO_2)*	**Year**	**Group sources covered by the inventory**	**Comments**
SCOPE 1 Emissions from specific point or mobile sources that are owned or controlled by the Company.	1.01(1)	2020	CO_2 emissions from boiler houses at production plants and R&D facilities	Michelin controls the assets at which energy is used, thus generating CO_2 emissions. Emissions excluded from inventory data account for less than 5% of Scope 1 and Scope 2 greenhouse gas emissions. The change in emissions volumes in 2020 compared with the 2010 baseline is presented below (*see Scope 1 and Scope 2 CO_2 Emissions*). GRI 305-1: Direct (Scope 1) GHG emissions GRI 305-2: Direct (Scope 2) GHG emissions
SCOPE 2 Emissions from the generation of purchased electricity, heating, cooling and steam consumed by the Company	1.46(1)	2020	CO_2 emissions from the generation of purchased electricity and steam consumed at production plants and R&D facilities	
SCOPE 3 Emissions that are a consequence of the activities of the Company, but occur from sources not owned or controlled by the Company. The standard specifies 15 categories of activity.	144	2020(2)	CO_2 emissions from the 12 activity categories corresponding to the Group's value chain (*see the Inventory of Scope 3 CO_2 Emissions by Category*).	Michelin's ability to influence activities in the value chain varies by category. The tonnage figure is an estimate, not an exact calculation, due to the quality and availability of data on value chain activities and the need to make a certain number of assumptions. Given that the level of uncertainty stands between ±10% and ±30%, depending on the category, it is not yet possible to present reliable data on how these estimated emissions will evolve over time. GRI 305-3: Other indirect (Scope 3) GHG emissions.

(1) See section 4.1.4.3 b) Reducing the environmental footprint of the production plants/Summary table of environmental data – Group.
(2) Because the level of uncertainty for the various Scope 3 categories remains high, the Group has chosen to measure them every three years.

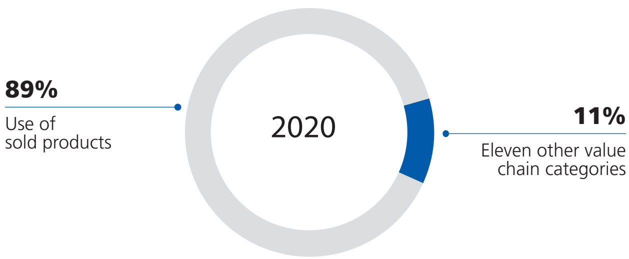
EVOLUTION OF SCOPE 1 AND SCOPE 2 CO_2 EMISSIONS(1) (MARKET-BASED)

(millions of tonnes of CO_2)



(1) 2010 Scope 2 emissions were recalculated following the change in method in 2015 (see section 4.1.4.3 b) Reducing the environmental footprint of the production plants/Recalculation of 2010 emissions based on differentiated emission factors for purchased steam).

INVENTORY OF SCOPE 3 CO_2 EMISSIONS BY CATEGORY



Proportion of Scope 3 emissions by category, excluding "Use of sold products"

Purchased good and services	52%
Capital goods	2%
Fuel and energy-related activities	5%
Upstream transportation and distribution	7%
Waste generated in operations	2%
Business travel	0.3%
Employee commuting	1.3%
Upstream leased assets	0.3%
Downstream transportation and distribution	6%
End-of-life treatment of sold products [1]	23%
Franchises	1%

(1) Total CO_2 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 4.1.4.2 b) 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_2 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_2.

Engagement and transparency

Science Based Targets initiative (SBTi). In May 2020, the global Science Based Targets initiative validated the greenhouse gas emission reduction targets described below. The Scopes 1 and 2 targets are consistent with the 2°C global warming scenario, and the Scope 3 targets have been validated by SBTi as comprehensive and ambitious.

- Michelin commits to reduce absolute Scope 1 and 2 GHG emissions by 38%[1] by 2030 from a 2010 base year[2].
- Michelin commits to reduce absolute Scope 3 GHG emissions from fuel and energy-related activities; upstream and downstream transportation and distribution; and end-of-life treatment of sold products by 15% by 2030 from a 2018 base year.
- Michelin also commits that 70% of its suppliers by emissions covering purchased goods and services will have science-based targets by 2024.

Scope 1 and 2 outcomes for 2020 are presented in the section below. For Scope 3 emissions, the Group has improved its calculation method for the categories concerned, with the goal of issuing an initial SBTi report as of end-2021. As part of this process, a supplier information campaign has been launched, along with a request to respond to the *CDP Climate Change* questionnaire. Their responses will provide primary data and enable the Group to track supplier progress in reducing greenhouse gas emissions[3].

CDP Climate Change Questionnaire. Every year, the Group responds to the climate change questionnaire issued by the CDP, an independent rating agency for environmental impact disclosure. In 2020, Michelin was ranked among the most forward-looking companies in the areas of transparency and combating climate change. Its A- score was a reflection of its strategy, the reduction in its CO_2 emissions and its long-term commitment to further reducing its carbon footprint. Michelin's full response may be found on the CDP platform (https://www.cdp.net/en/responses) and on the Group's website (www.michelin.com).

Task Force on Climate-related Financial Disclosures (TCFD). Since 2018, the Group has applied the recommendations issued by this organization operating under the aegis of the G20 Financial Stability Board[4].

Reducing the amount of energy associated with tires in use

In 2015, the Group committed to reducing the amount of energy associated with tires in use by 20% by 2030 compared to 2010. Progress on this commitment is measured by the average overall improvement in rolling resistance, which is one of the four components of the **Michelin Total Performance** indicator[5]. Because rolling resistance has a direct impact on a tire's energy performance, the annual result is expressed in liters of fuel saved and CO_2 emissions avoided over the useful life of a tire on the road. In 2020, the Michelin Total Performance indicator improved by 11.6% compared with 2010.

Sales of tires, which help reduce vehicle CO_2 emissions[6], represented 46% of sales in the Automotive and related distribution and the Road transportation and related distribution operating segments in 2020[7].

Low-carbon mobility

Tomorrow's world will be shaped by rising demand for mobility from an increasingly urban, connected population. In response, Michelin's vision is focused on three priorities:

- developing new technologies and energy sources that will enable the wider use of clean, long-range vehicles. Michelin intends to help build the car of the future by contributing to continuous improvement of tires and fuel cells;
- transforming the mobility of goods and people. Michelin is committed to integrating its tires and services into tomorrow's smart transportation systems and to supporting evolving usage patterns;
- improving urban mobility systems. With 70% of the world's population expected to live in cities by 2050, urban mobility is one of Michelin's core concerns. The Group is an engaged, unifying stakeholder in a wide range of emerging mobility ecosystems[8].

(1) Since then, more ambitious targets have been defined for Scopes 1 and 2. See section 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Reducing the absolute value of CO_2 emissions from manufacturing operations. OUR GOALS
(2) The target boundary includes biogenic emissions and removals from bioenergy feedstocks.
(3) See section 4.1.1.3 b) Risk identification and levers for action/Dedicated levers for the environment/Greenhouse gas emissions (GHG).
(4) See section 4.1.4.1.c) Applying the recommendations of the Task Force on Climate-related Financial Disclosures and https://www.fsb-tcfd.org/publications.
(5) See section 4.1.4.2 Attenuating the environmental impact of products and services.
(6) Pneumatic tires classified in categories A, B or C for rolling resistance accordng to Regulation EC/1222/2009.
(7) This information was added after the review by the independent third party; it was not the subject to the audit work carried out by the latter.
(8) See section 4.1.4.2 c) Actively improving energy performance in the transportation industry/Michelin, a unifying global stakeholder for sustainable mobility.

Supporting the introduction of a global carbon pricing system

Today, there is no global carbon market or price, only fragmented and uncoordinated local systems. Michelin is strongly encouraging public stakeholders to support the development of a more structured market. This is why it has been a member of the World Bank's Carbon Pricing Leadership Coalition since 2015. Since 2016, the Group has also been preparing for the emergence of a global carbon market by incorporating an internal carbon price[(1)].

4.1.4.1 b) Adapting to the impact of climate change

In line with recommendations issued by the Group's risk managers, business continuity plans in the event of extreme weather events have been reviewed in every host country. These events concern only a few facilities, which have all implemented prevention plans to ensure business continuity and employee safety. In addition to these risks of extreme weather events, the Group's vulnerability to energy supply is also regularly reviewed. The Group believes that climate change would only have a moderate impact on its operations, due to the location of its plants and the distribution of its business base. A specific risk concerning the "global impact of the physical effects of climate change on supply chain and business continuity" was added to the environmental risk map in 2020.

Rubber tree plants, which produce the natural rubber needed to make tires, can only grow in the planet's narrow intertropical convergence zone, which is exposed to the impact of climate change and the growing scarcity of arable land. To address this challenge, Michelin's agronomists and scientific partners are selecting productive, disease-resistant varieties and encouraging innovative farming practices that improve yield. The Group is also diversifying sources of supply in every production basin and pursuing research and development programs to optimize the quantity of natural rubber used per thousand kilometers traveled.

4.1.4.1 c) Applying the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The Michelin Group is gradually applying the recommended guidelines issued on June 29, 2017 by the TCFD and in 2020 demonstrated its support for the task force as a signatory.

Embracing TCFD principles implies changes up, down and across the entire enterprise to shift to a market strategy and operations consistent with a global warming scenario of less than 2 °C, while taking into account impacts associated with warming scenarios of more than 2 °C. The actions taken to date by the Michelin Group to move forward in the four key TCFD areas – governance, strategy, risk management and targets – are presented in detail below.

2018

- Governance: Reorganizing the Group's CSR governance system, with allocation of responsibility for leading the decarbonization strategy and managing environmental risks, including climate-related and environmental governance-related risks[(2)].
- Strategy: Devising several qualitative climate scenarios based on a set of political, technological, economic and social assumptions. Helping to finance a report by the French Association of Private Enterprises (AFEP), "*Energy and Climate Scenarios: Evaluation and Guidance*", The Shift Project, November 2019.
- Risk management: Disclosing the main climate-related risks and opportunities, with potential financial impacts, in response to the *CDP Climate Change* questionnaire.
- Metrics and targets: Pledging to SBTi to set greenhouse gas emission reduction targets consistent with the Paris Agreement[(3)].

2019

- Strategy: Trialing the preparation, by the main business lines, of strategic analyses based on qualitative climate scenarios. Deploying a campaign in a large number of business lines and operational departments to build awareness of the concept of climate scenarios. Sharing benchmarked scenarios with AFEP member companies.
- Risk management: Disclosing the main climate-related risks and opportunities, with potential financial impacts, in response to the *CDP Climate Change* questionnaire.

2020

- Strategy: Developing more robust climate scenarios for use by the business lines and operational departments to pinpoint the risks and opportunities specific to their market or remit.
- Risk management: Approval by the Environmental Governance body of the new environmental risk map covering physical and transition risks, in line with TCFD guidance. Disclosing the main climate-related risks and opportunities, with potential financial impacts, in response to the *CDP Climate Change* questionnaire. See table below.
- Metrics and targets: SBTi validation of Scopes 1 and 2 targets aligned with the 2 °C scenario and Scope 3 targets qualified as ambitious.

(1) See section 4.1.4.1 d) Carbon pricing.
(2) See section 4.1.4 The Environment/Environmental governance.
(3) See section 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Engagement and transparency.

Detailed information concerning the application of TCFD recommendations can be found in the public answers to the *CDP Climate Change* 2020 questionnaire (see https://www.cdp.net/en/responses). A summary of these disclosures is presented below[1]:

Governance	
Roles, responsibilities and control	The Environmental Governance body carefully reviews climate-related and energy transition issues and makes decisions on behalf of the Group Executive Committee. It ensures that decarbonization targets are met and that climate-related risks are identified and properly managed. The body comprises two Executive Committee members and representatives from eight departments, supported by a group of in-house experts forming the Carbon Strategy Committee.[1] Via the Executive Committee, it may receive opinions concerning the Group's climate change strategy issued by the Corporate Stakeholders Committee.[2] Set up in 2020, the Supervisory Board's CSR Committee also addresses issues concerning the climate change strategy and the transparency of disclosures to outside stakeholders.
Strategy	
Time horizons considered when identifying, assessing and managing risks and opportunities	**Long-term (16 to 30 years)** Build a decarbonization roadmap for our operations and the use of our products aligned with the Paris Agreement and prepare a pathway to achieving a carbon-neutral manufacturing base by 2050. **Medium-term (6 to 15 years)** Manage strategic risks and opportunities requiring decisions relating to (i) manufacturing facilities (type of energy, energy utilities, deployment of new technologies and/or processes); (ii) future carbon allowance costs; (iii) research and development priorities (environmental footprint of future tire generations, new powertrains); (iv) the strategic foresight analysis of trends in the mobility of people and goods; (v) responses to forthcoming changes in standards and regulations; (vi) analysis of qualitative climate scenarios prepared by the business lines and operational departments; and (vii) management of SBTi and other CO_2 emission reduction targets. **Short-term (0 to 5 years)** Operational management: (i) analyze stakeholders, competitors and other exogenous factors; (ii) make decisions concerning energy efficiency projects, renewable energy purchases and the management of regulated carbon quotas; (iii) create new solutions and partnerships; (iv) track changes in standards and regulations; (v) manage prevention and protection measures against extreme weather events; and (vi) engage with outside sustainable mobility stakeholders, such as the Movin'On Summit, Movin'On LABS, SUM4All and the Transport Decarbonization Alliance, in support of decarbonization of the transport sector.
Risks and opportunities	
Main risks and opportunities and their potential financial impacts	**Physical risks** ▶ Extreme weather events: deterioration of production capacity caused by increasingly frequent and severe extreme weather events (production shutdowns, supply chain disruptions, damage to production assets). Short-term annual revenue impact of less than €150 million. **Transition risks** ▶ Technological costs: higher costs of introducing or deploying new practices, technologies and processes to reduce the Group's carbon footprint by 50% by 2030 (power generation, energy efficiency and coal replacement projects). Annual capital expenditure outlays over the medium term estimated at between €29 million and €38 million. ▶ Legal and regulatory compliance: increasing CO_2 allowance costs on regulated markets. Annual operating expense costs over the medium term estimated at between €11 million and €26 million. ▶ Market uncertainties: fluctuations in the availability, reliability and cost of the renewable energies required to deploy a low-carbon strategy. Annual operating expense costs over the medium term estimated at between €6 million and €8 million. **Opportunities** ▶ Market[3]: develop and promote mobility products and services that are low-carbon and/or suitable for use in adverse weather conditions, in response to market trends driven either by legislation (emissions standards, minimum tire performance standards) or by emerging demand from corporate customers or consumers. Financial impact not yet determined. ▶ Technologies: develop and bring to market hydrogen propulsion systems supporting the energy transition on a variety of vehicles. Annual revenue over the medium term estimated at €1,500 million. ▶ Sourcing: improve reliability across the natural rubber supply chain with an industry-wide commitment to sustainable production[4]. Financial impact not yet determined.

(1) This information has been structured according to the framework recommended for energy and transportation companies in "Climate-related financial reporting: Operational framework for a constructive dialogue between investors and companies," issued in July 2018 by the MEDEF French business network, the French Insurance Federation and the French Asset Management Association.

Scenarios	
Climate scenarios used	CO_2 emissions from manufacturing operations: The 2030 and 2050 reduction targets (see section 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Reducing the absolute value of carbon emissions from manufacturing operations), were determined on the basis of the 1.5°C scenario: *"In model pathways with no or limited overshoot of 1.5°C, global net anthropogenic CO_2 emissions decline by about 45% from 2010 levels by 2030 (40–60% interquartile range), reaching net zero around 2050 (2045-2055 interquartile range)." IPCC Special Report: Global warming of 1.5°C.* CO_2 emissions from tires in use: the 2030 reduction target was set based on the framework assumptions in the IEA Mobility Model 2DS (see section 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Reducing the amount of energy associated with tires in use). For tactical and strategic planning purposes, the Group has prepared three scenarios for how its business environment may evolve under the impact of climate change and the policies likely to emerge as a result. These qualitative scenarios cover a full range of political, technological, economic and social issues, based on contrasting, yet equally plausible, assumptions for 2035. Each one is based on a trajectory of increase in the global mean surface temperature ranging between 1.5°C and 4°C before the end of the century. All of them are described in narrative form, addressing both desirable and undesirable aspects, so as to maintain a degree of realism and avoid fantasy-world scenarios. In each one, a calibrated, functional description of the business environment in 2035 is supplemented by situational narratives out to 2050. These scenarios will enable the business lines and operational departments to (i) raise their awareness of energy transition and climate change issues; (ii) grasp the main concepts and terminology of the climate scenarios and understand their complexity and their inherent challenges and paradoxes; and (iii) address the possible impacts of climate change on their markets as part of their strategic and tactical planning process.
Metrics and targets	
Greenhouse gas emissions	CO_2 emissions, Scopes 1, 2 and 3: (see section 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Inventory of Scope 1, 2 and 3 CO_2 emissions.)
Reduction targets	Scopes 1 and 2: (see section 4.1.4.3 Reducing the environmental footprint of our manufacturing and logistics operations). Scope 3/in-use phase: (see section 4.1.4.2 Attenuating the environmental impact of products and services). Scope 3/other categories: (see section 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Engagement and transparency)
Spending	Manufacturing operations: €12.35 million invested in an energy transition (see section 4.1.4.3 c) Reducing energy use and greenhouse gas emissions) R&D projects: In 2020, around 18% of the total R&D budget was allocated to continuously improving tire energy efficiency and developing hydrogen mobility technologies. Creation of a joint venture: In 2019, €82 million was invested in hydrogen mobility solutions through the acquisition of a stake in Symbio – a Faurecia Michelin Hydrogen Company.

(1) *See section 4.1.4 The Environment/Environmental governance.*
(2) *See section 4.1.2.5 a) Stakeholder dialogue.*
(3) *An initiative is under way to increase the robustness of the methodology for assessing the financial impact of climate change-related market risks and opportunities.*
(4) *See section 4.1.1.3 c) A dedicated approach for natural rubber.*

4.1.4.1 d) Carbon pricing

In its commitment to cost-effectively reducing its CO_2 emissions, Michelin supports the introduction of an international carbon pricing system as part of the Carbon Pricing Leadership Coalition. Since 2016, the Group has also been preparing for the emergence of a global carbon market by incorporating an internal carbon price of €50 per tonne of CO_2.into its method of calculating return on investment for projects requiring major capital expenditure, such as production capacity increases, boiler upgrades and logistics improvements. For projects designed to increase the energy efficiency of existing installations (curing press insulation, lighting upgrades, etc.), which require more modest outlays, the internal carbon price is integrated into a project consolidation application developed in 2016 as part of the new energy efficiency improvement program[(1)].

As a result, each project leader is expected to submit two scenarios, one conventional and the other based on carbon costing €50 per tonne. Each project sponsor can compare the payback calculated with a carbon market price (now zero in every host region except Europe and Shanghai) and the payback calculated with the projected carbon price over the lifetime of the equipment being purchased today.

(1) *See section 4.1.4.3 c) Reducing energy use and greenhouse gas emissions/Improving energy efficiency.*

4.1.4.1 e) Carbon allowance systems

In European Union countries, direct CO_2 emissions from the 18 Group facilities that operated boilers with over 20 MW capacity in 2020 are subject to allowances issued under the EU's Emissions Trading Scheme (ETS). These allowances continued to decline in 2020 under the impact of the cross-sectorial correction factor, but the Group's sustained improvements in energy efficiency and the energy mix kept emissions under control. Emissions from most of the plants are still covered by the credits accumulated between 2008 and 2016. Since 2017, the Group has purchased allowances on the market, which are covering the returns from the four plants exceeding their quotas.

In China, emissions trading schemes were introduced in 2013 in seven cities and provinces. The one in Shanghai, covering an initial three-year period until 2015, is still in effect while waiting for a national system to be introduced. Over the 2013-2020 period, emissions from the two plants concerned were covered by the allowances.

Created in 2005, the CO_2 Allowance Management Committee tracks legislation governing carbon markets and taxes in all of the countries where Group production facilities are located. Comprising specialists in greenhouse gases (GHG), energy buying, energy efficiency, finance and accounting, its role is to define CO_2 allowance management principles and guidelines, ensure their proper application and conduct the necessary forecasting studies.

4.1.4.1 f) Investing in socially responsible carbon credits

Since 2014, Michelin has invested in the Livelihoods Carbon Fund, which supports reforestation, agroforestry and low-carbon cookstove projects on three continents. Conducted in collaboration with local NGOs, its projects help to reduce GHG emissions, while improving quality of life in local communities and offering investors a return in the form of carbon credits with high environmental and social value. In 2017, Michelin also invested in the new Livelihoods 2 carbon fund.

In all, the Group's total stake in the two funds currently stands at €4.8 million.

In 2020, three projects generated 51,541 carbon credits for the Group, corresponding to 51,541 tonnes of avoided CO_2. The first concerns a mangrove restoration program in Senegal, where tree replantings have helped to revitalize farmland and restore marine biodiversity now that the mangroves act as a protective barrier against salt water. The other two projects are installing several tens of thousands of energy-efficient cookstoves in village homes in Kenya and Burkina Faso (where the project is being carried out exclusively with women). The stoves eliminate both toxic smoke and the time-consuming task of collecting wood, while cutting GHG emissions in half.

Due to the health crisis, two scheduled audits could not be performed in 2020, postponing the allocation of the related credits until 2021.

During the year, Michelin used its credits to offset the carbon footprint of the digital unveiling of the e.Primacy electric vehicle tire, which was calculated at 1,564 tonnes of CO_2-eq by EcoAct.

In 2020, the Group defined its ambitions for 2050, to be published in 2021

As part of its **2050 Climate Strategy**, Michelin is committed to achieving carbon neutrality* in:

- **its manufacturing base,**
- **its logistics operations,**
- **its supply chain** with its raw materials and components vendors,

In addition, Michelin is helping to shrink the carbon footprint of all forms of mobility for goods and people, in particular by:

- designing **products that are ultra-energy efficient throughout their life cycle,** from production and use to end-of-life recycling,
- developing **services and solutions that optimize the use and management of vehicle fleets**, while improving their fuel/energy efficiency,
- driving the emergence of new **mobility solutions**, led by ecosystem-based innovation and, in particular, the development of the hydrogen mobility industry.

* *For a company, carbon neutrality is achieved by reducing carbon emissions from the production and use of its products to as close to zero as possible and then offsetting any residual emissions. The concept of carbon neutrality means that in some cases Michelin may use carbon offsets or carbon capture solutions.*

4.1.4.2 Attenuating the environmental impact of our products and services

SDG 8.4, 9.4, 12.2, 12.4, 12.5, 13.2 and 17.17

Environmental risks from the use of products

Risk factors

As the only point of contact between a vehicle and the road, tires play a vital role in road safety. They are non-biodegradable products made of renewable materials, such as natural rubber, but also synthetic materials like petroleum derivatives or chemicals, as well as metals. A tire's contact with road surfaces causes abrasion, which generates wear particles, and, in an internal combustion-powered vehicle, requires the burning of fuel, which emits greenhouse gases. Moreover, tires have a limited life span that varies depending on how they are used. As a result, the main risk factors concern pollution from (i) the release of greenhouse gases and tire and road wear particles (TRWP)[(1)] into the environment during the in-use phase, and (ii) the disposal of end-of-life tires. Michelin makes every effort to attenuate the impact of its products on the environment.

Michelin is steadily reducing the impacts from the use of its products through a policy of continuous innovation focused on sustainable mobility and informed by the Group's circular economy strategy – known as 4R (Reduce, Reuse, Recycle and Renew) – which is being deployed at every stage in the product or service life cycle.

The policy is built on two main pillars – improving the energy efficiency of the Group's products and using renewable or recycled materials in designing its tires – and supported by eco-design principles and the 4R strategy.

At the same time, Michelin is helping to lower the carbon intensity of transportation by offering bundled services for corporate fleets, promoting innovative, hydrogen fuel cell-powered mobility solutions and building partnerships and collaborative platforms capable of bringing together a variety of mobility ecosystems through the Movin'on Summit and Movin'On LAB.

To attenuate the environmental impact of its products and continuously improve their performance, without ever compromising on safety, the Group pursued two ambitious objectives through 2020:

Improve the Michelin Total Performance index by at least 10%.

(2019 vs. 2010: +9.9%; 2018 vs. 2010: +9.7%; 2017 vs. 2010: +7.6%)

The Michelin Total Performance indicator measures the improvement in four key tire performance features: fuel efficiency by reducing rolling resistance, safety by increasing grip, rolling noise by attenuating the resonance caused by road impact, and tread life by improving wear resistance and robustness. All while using fewer raw materials.

When compared with 2010, improvements in the rolling resistance of Passenger car, Light truck and Truck tires sold by the Group in 2020 have saved the equivalent of 2.7 billion liters of fuel over their useful lives, thereby avoiding the release of more than 6.9 million tonnes of CO_2. In 2020, however, the decline in sales in these product segments caused by the health crisis meant that the fuel savings and emissions targets were not met during the year.

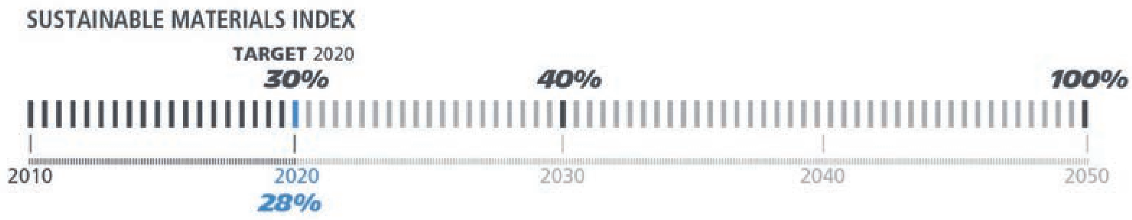
In 2015, the Group pledged to continue improving the energy performance of its tires, by reducing the amount of energy consumed during the in-use phase by 20% by 2030 compared to 2010.

(1) https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/Resources/Tire-and-Road-Wear-Particles-TRWP-and-other-Material-Research.

Incorporate 30% sustainable materials, from renewable or recycled sources[1], in our tires

[GRI 301-2] [SASB-TR-AP-440b.2]

The performance indicator for this commitment is the Average Sustainable Materials Rate



(2019: 26%), (2018: 26%)*

* *2018 indicator results were revised after the robustness of the calculation method was improved in 2019.*

The percentage stood at 28% in 2020, an improvement on 2018 and 2019 that reflected Michelin's assertive commitment to meeting its sustainable materials objective. Nevertheless, the difficulty in deploying levers for action, such as the use of certain technologies or traceability in certain supply chains, made meeting the 2020 target a challenge.

In 2017, the Group presented its ambitions for sustainable mobility through its Vision concept, which comprises both a wheel and an airless tire, fully connected and made from sustainable materials, whose "rechargeable" tread can be produced on demand by 3D printing. Vision lies at the core of Michelin's sustainable development and mobility strategy and offers a compelling illustration of its circular economy approach.

At the Movin'On Summit in 2019, Michelin unveiled UPTIS, a combined airless, puncture-proof tire and wheel assembly developed in partnership with General Motors. A decisive milestone in making the Vision concept a reality,

UPTIS eliminates any risk of flats or blowouts, thereby improving both the safety of motorists and the productivity of business fleet operations. This feature also reduces the use of raw materials in production, which in turn reduces waste and promotes sustainable mobility.

To fulfill this vision, the Group is dedicated to using only sustainable materials by 2050 and has set a medium-term milestone of 40% sustainable materials by 2030.

4.1.4.2 a) Integrating eco-design principles and wider use of life cycle assessments

Michelin has long used life cycle assessments (LCAs) to measure the environmental impact of its products via such indicators as global warming potential, resource depletion, photochemical oxidation and water acidification and eutrophication. LCAs conducted in Europe have shown that more than 80% of a Passenger car tire's environmental impact occurs during use. This proportion rises to more than 95% for a Truck tire in Europe.

To learn more about these impacts and make the right design choices to reduce them, Michelin is constantly enhancing its LCA capabilities and gradually deploying systematic LCAs for all new product projects as part of an eco-design approach. In 2020, roll-out began on a more formalized eco-design process, applied across every phase in the tire life cycle. This holistic approach is based on the guidelines stipulated in the ISO 14040 (life cycle assessment) and 14006 (eco-design) standards.

In 2020, Michelin joined the Pôle Eco-conception association, France's leading center for eco-design and life cycle performance management, to improve its methods, make its process more robust and continue to develop its eco-design capabilities.

Since 2012, Michelin has been involved with eight other international corporations to support the International Life Cycle (ILC) Chair, the primary research unit of the International Reference Centre for the Life Cycle of Products, Processes and Services (CIRAIG). In 2017, a five-year funding agreement was signed with the ILC Chair, which is addressing such major issues as the decarbonization of power generation and use, the efficient use of resources and energy, the circularity of material flows and planetary limits.

Since 2017, Michelin has been a member of ScoreLCA, a French association that conducts research commissioned by its 12 active members and partners. Like those pursued by the ILC Chair, its research programs are helping to enhance the methodological skills used by the Group's LCA expertise unit.

Similarly, Michelin has worked for several years with other tiremakers in the Tire Industry Project (TIP)[2] to draft product category rules (PCRs) defining a set of industry-specific, ISO 14025-compliant guidelines that manufacturers can apply to determine the environmental impact of their products with a view to creating Environmental Product Declarations (EPDs). The TIP has developed a PCR that is technically comprehensive, global in scope and capable of supporting consistent, harmonized assessments.

(1) Renewable materials as defined in the American Chemical Society's 12 Principles for Green Chemistry; recycled materials as defined in the European Waste Directive.

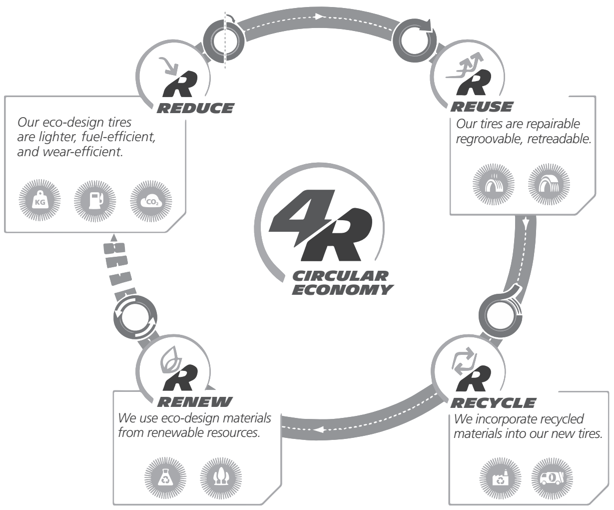
(2) Tire Industry Project: Launched in 2005, the Tire Industry Project is a voluntary initiative dedicated to addressing the tire industry's sustainability challenges and issues. It currently comprises 11 of the world's leading tiremakers: Bridgestone Corporation, Continental AG, Cooper Tire & Rubber Company, The Goodyear Tire & Rubber Company, Hankook Tire Company, Kumho Tire Company, Inc., Groupe Michelin, Pirelli Tyre SpA., Sumitomo Rubber Industries, Ltd., Toyo Tire & Rubber Company Ltd., and Yokohama Rubber Co., Ltd. The TIP operates under the auspices of World Business Council for Sustainable Development (WBCSD).

In 2020 Michelin became the first tiremaker to issue a tire EPD, as part of the market launch of the new MICHELIN e.Primacy tire. Issuing the two EPDs for the new line-up underscored the Group's commitment to transparently reporting the environmental impacts of its products[(1)].

In line with its product stewardship commitment, Michelin is helping to deepen knowledge of tire and road wear particles (TRWP) as part of industry associations like TIP and ETRMA[(2)]. Studies have been conducted to collect, characterize and understand both the composition and the dispersion of these particles, as well as to assess their potential impact on the environment and human health[(3)].

At the same time, a wide range of initiatives are in place to manage chemicals and attenuate their potential impacts throughout the tire life cycle[(4)].

4.1.4.2 b) The Michelin 4R strategy for a circular economy



The tire industry uses around 32 million tonnes of materials every year, three-quarters of which are fossil-based. At the same time, worldwide mobility needs are expected to double between 2010 and 2050. This poses a variety of challenges in securing supply, reducing the impact of mobility on health, ecosystems and natural resources, and limiting its effects on climate change. To ensure that resources are used more wisely, Michelin is simultaneously rolling out four initiatives known as the Michelin 4R strategy: Reduce, Reuse, Recycle and Renew.

Since 2017, the strategy has been managed by the Circular Economy Operational Committee, whose multidisciplinary members are led by the Sustainable Development team. Its mission is to define and control deployment of the strategy, identify risks and opportunities, lead the initiatives and proactively track changes in legislation and compliance. Its activities and outcomes are validated by the Environmental Governance body *(see section 4.1.4 The Environment/Environmental Governance).*

Reduce

This aspect involves using fewer raw materials and less energy to make tires that are lighter, longer-lasting and more energy efficient, all while delivering the same safe driving experience and ever-improved performance.

But Michelin does not just set objectives for new tires, it is also committed to delivering performance over time by extensively testing worn tires, so as to demonstrate that tires can and should deliver very high performance until the tread wear indicators appear. If motorists were confident that their tires would remain safe throughout their useful lives, they would be encouraged to use them until they reached the legal minimum tread depth, which is 1.6 mm in Europe. Based on European data, this would avoid the unnecessary use of 400 million tires a year worldwide and help to reduce carbon emissions by up to 35 million tonnes a year.

Michelin is therefore pleased that European institutions accepted the principle of testing wet grip on worn tires in revising the General Safety Regulation for vehicles[(5)], adopted in November 2019**.** Along with the entire industry, Michelin is contributing to the working group formed as part of the UNECE World Forum for the Harmonization of Vehicle Regulations, which is defining a test method for future legislation.

Reuse

Raw materials can also be saved during the in-use phase by repairing, regrooving and retreading tires. Michelin offers retreading solutions for Truck, Aircraft and Earthmover tires.

Michelin Truck tires can be regrooved when the tread is worn, then mold-cure retreaded using the Remix process or pre-cure retreaded and regrooved a second time before the components are reused in end-of-life tire recovery solutions. For example, assuming the tire has a theoretical lifespan of 100,000 km, regrooving can add 25,000 km without any additional material; retreading then adds a further 100,000 km using four times less raw material than it takes to make a new tire; and lastly, the final regrooving increases total tread life by another 25,000 km.

(1) See https://www.environdec.com/library/_?Epd=18918.
(2) European Tyre & Rubber Manufacturers Association.
(3) See 4.1.1.1 Guaranteeing the quality of products and services/An active role in safeguarding consumers and the environment.
(4) See section 4.1.1.3 b) Risk identification and levers for action/Dedicated human rights or health and safety levers/Chemicals; 4.1.3.1 c) Managing industrial hygiene risks to safeguard employee health.
(5) Regulation (EU) 2019/2144 of the European Parliament and of the Council of November 27, 2019 on type-approval requirements for motor vehicles and their trailers, and systems, components and separate technical units intended for such vehicles, as regards their general safety and the protection of vehicle occupants and vulnerable road users.

In all, with one retreading and two regroovings, a Michelin Truck tire can last 2.5 times longer than a new Michelin tire with only around 30% additional material.

In other words, Michelin's retreading/regrooving solutions can keep truckers on the road 2.5 times longer on the same tire, or up to one million kilometers for certain long-haul tires with an initial lifespan of already 250,000 km. This offers three benefits compared with a non-retreadable, non-regroovable tire, whether premium or budget:

- a financial benefit from the lower cost per kilometer;
- environmental benefits, by considerably reducing raw materials use and improving the carbon footprint;
- social benefits, by creating more jobs. Everywhere that retreading/regrooving is practiced, the logistics operations and related services (collection, inspection, maintenance, retailing, etc.) help to stimulate the local economy.

Recycle

The deployment of technically and economically viable systems to recycle and treat end-of-life tires is a major challenge that Michelin is determined to address, in every country, in cooperation with all of the stakeholders concerned. Indeed, for many years, the Group has been encouraging the introduction of effective solutions and continues to play a leading role.

A study conducted in 2019 showed that 88% of all end-of-life tires, regardless of brand, sold in the 45 countries under review were collected and the majority of them were recovered and reused[(1)]. According to data presented in this same study, of the total tire tonnage brought to market by Michelin in 2019 in those countries, an estimated 76% was recovered and reused, of which 43% as material, 29% as fuel and 4% in earthworks.

In 2020, the Group continued to participate in end-of-life tire recycling programs through its active membership in a variety of industry associations, including in particular:

- the Tire Industry Project (TIP), in a commitment to deepening knowledge of collection and treatment systems and to supporting local recyclers, with a global study commissioned from Deloitte to help develop the most promising recycling technologies in each region of the world[(2)];
- the European Tyre and Rubber Manufacturers Association (ETRMA), the United States Tire Manufacturers Association (USTMA) and the Japan Automobile Tyre Manufacturers Association (JATMA). By working with these industry associations, Michelin is making every effort to ensure that end-of-life tires are properly collected and processed, thereby demonstrating its support for the concept of extended producer responsibility.

Michelin is also exercising its influence to encourage material recovery, which optimizes the reuse of tire components as secondary raw materials and offers a substantially smaller carbon footprint than energy recovery.

In addition, Michelin is working with the recycling industry to foster the recovery of material from tires and other end-of-life rubber products for reuse in tire and non-tire applications.

Aware of the potential environmental impacts of end-of-life tires, the Group is also investing in the development of end-of-life tire recovery and reuse technologies.

- In 2017, Michelin acquired Lehigh Technologies, a US company specializing in the design and production of micronized rubber powders derived from recycled end-of-life tires and other rubber-based industrial products.
- In April 2020, the Group announced a partnership with Sweden's Enviro to develop and mass produce a highly innovative pyrolysis technology that recovers high-quality products like recycled carbon black, pyrolysis oil, steel and gas, which can then be re-incorporated into the production cycle of various industries.

Michelin is also involved in other recycling ventures, such as the partnership formed in November 2020 with Canadian start-up Pyrowave to speed up the industrialization of an innovative technology to recycle polystyrene plastic waste.

The Pyrowave process breaks down polystyrene to recover its original building blocks of styrene monomers, a key component in synthetic rubber. Once recovered, the monomers can be used in the manufacture of synthetic elastomers for our tires, as well as in new polystyrene products and many other applications. With this partnership, Michelin is helping new value chains to emerge in the circular plastics economy.

In addition, for more than ten years now, Michelin has been ensuring that all of its tire manufacturing waste is recovered *(see section 4.1.4.3 e) Reducing and managing waste).*

(1) Global ELT Management – A global state of knowledge on regulation, management systems, impacts of recovery and technologies, Tire Industry Project, December 2019. https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/End-of-Life-Tires-ELTs.

(2) Ibid., https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/End-of-Life-Tires-ELTs.

Renew

Michelin is committed to ensuring that by 2050, all the materials used to make its tires are sustainable[1]. To meet this major challenge, the Group is encouraging the use of sustainable recycled and/or biosourced materials such as natural rubber and certain plant-based oils and resins. In the case of biosourced materials, large-scale projects have been launched to shift supply chains to biosourced materials or to improve the sustainability of natural materials.

- The BioButterfly project, in partnership with Axens and IFPEN, is developing a bio-butadiene production process using ethanol derived from biomass. The goal is to create innovative synthetic rubbers that are more environmentally responsible. Development got underway in 2015 with the goal of starting up a pilot plant by 2021.
- BioImpulse, 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 Michelin subsidiary ResiCare.

Michelin is also a member of BioSpeed, a consortium of companies committed to accelerating the market uptake of next generation bio-based materials.

Lastly, Michelin is sustainably and responsibly developing its natural rubber supply[2].

4.1.4.2 c) Actively improving energy performance in the transportation industry

Improving the energy efficiency of our products

Through its innovations, Michelin is leveraging its technology to support a more sustainable economy and limit the use of raw materials and energy. Reducing a tire's rolling resistance helps to improve a vehicle's fuel efficiency, which in turn reduces both CO_2 emissions during use and ambient air pollutants, such as NO_x and SO_x. Lower rolling resistance also increases the range of electric vehicles.

This commitment was already demonstrated in 2016 with products, like the MICHELIN CrossClimate+, that guarantee safe driving in all weather conditions, in every season, throughout their entire lives.

Introduced in 2018, the MICHELIN Primacy 4 tire, the sixth generation of the MICHELIN Energy™ tire invented in 1992, has lowered carbon emissions by 2.5 g/km for an average European car compared with the preceding 2012 generation. Moreover, it offers the longest tread life in its category according to ADAC tests[3] and delivers outstanding wet grip performance, whether new or worn, thereby enabling consumers to use their tires as safely and as long as possible. The MICHELIN Primacy 4's performance has been widely recognized by the market, as attested by its many certifications as new car original equipment.

Unveiled in 2020, and available in Europe and China from spring 2021, the MICHELIN e.Primacy tire takes this commitment to the next level by setting a new record in fuel efficiency[4]. In Europe, it is category leader in fuel savings and CO_2 emissions, with 27% less rolling resistance than its main competitors. On average, driving on MICHELIN e.Primacy tires reduces a vehicle's fuel consumption by 0.2L/100kms and CO_2 emissions by 5g/km, which throughout the life of the tire represents €80 in fuel savings and 174kg in avoided CO_2 emissions. For drivers of electric vehicles, this record energy efficiency translates into 7% longer range. The MICHELIN e.Primacy tire was eco-designed from the beginning, using an innovative approach based on product life cycle assessment (LCA). This led to the publication of an Environmental Product Declaration (EPD) certified by Veritas and available online at *environdec.com*. In a global tire industry first, this allows consumers to learn all about the line-up's environmental benefits.

In Truck tires, the technological advances marketed under the "Performance Made To Last" umbrella deliver not only a significant improvement in fuel efficiency and with it a reduction in CO_2 emissions, but also exceptionally efficient use of the component materials thanks to remarkably long tread life and the ability to run the tire down to the last millimeter of the legal wear limit. Brought to market in January 2016, the MICHELIN X® LINE™ ENERGY™ tires for long-haul trucks are the first set of big rig tires to be rated A in energy efficiency, on any axle, under EU tire-labeling rules. In addition, the MICHELIN X® MULTI™ ENERGY™ tire for regional truckers, launched in 2017-2018, has reaffirmed the Group's commitment to offering innovative solutions that both improve performance and protect the environment.

In 2020, Michelin sustained its innovation drive in this area by expanding its MICHELIN X® LINE™ ENERGY™ et MICHELIN X® MULTI™ ENERGY™ lines to meet the challenges of CO_2 emissions standards in Europe and North America. The new ENERGY™ lines are now being deployed in the fast-growing markets of Brazil, China and India.

Michelin is working closely with truck manufacturers to accelerate the transportation industry's transition to carbon-free solutions (zero emission vehicles, high-volume transport) by supporting research programs around the world for tires adapted to these new vehicle shapes. For example, Michelin has launched the X® LINE™ ENERGY™ D+ tire, developed in collaboration with Daimler, which helps to cut CO_2 emissions on the new Cascadia Class 8 truck by 5%, in compliance with GHG Phase 2 standards in North America.

In addition, the INFINICOIL technology developed from advances in aviation research allows trucks to carry bigger loads, which makes freight transportation more efficient, and further lengthens tire life. In fact, since 1980, the useful lives of Michelin's long-haul Truck tires have doubled, which means less process raw material is used per kilometer traveled.

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(1) 4.1.4.2 Attenuating the environmental impact of our products and services / Incorporate 30% sustainable materials, from renewable or recycled sources, in our tires

(2) See section 4.1.1.3 c) A dedicated approach for natural rubber.

(3) Tests conducted in 2020 by the Allgemeiner Deutscher Automobil-Club e.V.(ADAC).

(4) In the replacement tire market.

At the same time, Regenion technology, supported by the Group's metal 3D printing expertise, has improved grip performance in all types of weather conditions and throughout the life of the tire.

In addition to bringing new tires to market, Michelin has long offered worldwide retreading solutions that deliver benefits for the environment, the economy and society (see section 4.1.4.2 b) The Michelin 4R strategy for a circular economy/Reuse).

These product examples attest to Michelin's commitment to offering tire buyers guaranteed superior product performance over time and, therefore, longer lasting mobility solutions.

Limiting the environmental impact of corporate fleets

Another pathway to reducing the Group's CO_2 emissions is the product-service economy, which involves either (i) the combined supply of a product and a service to manage and maintain tires in ways that optimize their energy efficiency and other performance features; or (ii) the provision of a service alone that streamlines certain cumbersome fleet processes to make driving fleet vehicles cheaper, safer and greener.

Michelin's first outsourced tire maintenance solution with per-kilometer invoicing was introduced in the late 1940s. Today, Michelin's services and solutions business line designs, develops and prototypes new mobility solutions. These solutions are then marketed and supported close to customers in the different Regions, either directly by Michelin or by dedicated companies or joint ventures. They enable fleet operators to optimize their management, improve their safety performance and margins, and reduce their carbon footprint. In this way, Michelin solutions are addressing a number of challenges faced by customers today:

- Some concern tires, such as EFFITIRES™ and Michelin Tire Care, which take the trouble out of tire maintenance. Others focus on the vehicle, to improve their operating efficiency and safety performance. MyInspection, for example, supports methodical vehicle inspections, while MyTraining facilitates driver training and encourages more environmentally friendly driving.
- Others are structured around fleet management solutions like Sascar in South America and Masternaut in Europe, which help to reduce empty kilometers, thereby optimizing fleet operations and vehicles and improving their energy efficiency.

For mining companies, Michelin offers advanced productivity and safety solutions that help to reduce the environmental impact of their operations. MICHELIN Consulting & Services provides custom tailored, personalized advice focused on each mine's long-term success. In addition, MICHELIN MEMS 4, the world's leading remote tire pressure and temperature monitoring system, reduces equipment downtime and helps to increase tire life by warning of failures and avoiding premature replacement. In this way, the solution helps to reduce the consumption of natural resources as part of a circular economy process.

Data analytics are deepening the Group's understanding of driver behavior and how tires and vehicles are actually used, so that it can develop new mobility solutions that deliver superior value-added to customers while improving their safety, increasing their productivity and shrinking the environmental footprint of their operations.

Hydrogen-powered mobility, the embodiment of Michelin's "All Sustainable" vision

By eliminating CO_2 emissions from vehicles in use, improving air quality and supporting the energy transition, while offering optimal LCA results in several types of use, hydrogen is aligned with the promise of sustainable mobility as Michelin sees it. A decisive milestone in Michelin's investment in hydrogen technologies was reached in November 2019, when the Symbio joint venture was created with French automotive equipment supplier Faurecia. The goal is to create a world leader in hydrogen-powered mobility systems by combining existing assets from Michelin and Faurecia. The two groups have also made an initial investment of €140 million in the joint venture.

The Group is also participating in the development of hydrogen mobility at a regional level, in particular by deploying fueling stations in association with other manufacturers and institutional stakeholders, so as to make this mobility more accessible and usable by many modes of transportation. The "Zero Emission Valley"(ZEV) project clearly illustrates Michelin's deep commitment to the hydrogen sector. Set up by the Auvergne-Rhône-Alpes regional authority and the Engie group, ZEV is a clean mobility solution deployed on a regional scale to make the area the first European hydrogen-powered mobility zone. This will involve installing 20 stations powered by green hydrogen and deploying 1,200 hydrogen-powered vehicles for businesses to use.

Another powerful lever for accelerating hydrogen mobility is motorsports, which Michelin has always considered as a laboratory for innovation and a showcase for technologies. The demanding requirements of this sector drive research and development and mean that innovations are tested in the most extreme conditions. Michelin also receives swift feedback from its motor racing customers, which accelerates development of the Group's technological expertise. In June 2020, the Group and Symbio became major partners of MissionH24, a project that is looking to integrate hydrogen-powered technology into endurance race vehicles competing in the 24 Hours of Le Mans in 2024.

In France and internationally, Michelin strives to bring players together from across the hydrogen sector. The Group is particularly involved at the European level as a member of Hydrogen Europe, an association of European hydrogen sector companies, and the European Clean Hydrogen Alliance, a unifying initiative launched by the European Commission. Michelin is also involved in other similar associations, as follows:

- Active member of the French Association for Hydrogen and Fuel Cell (AFHYPAC), with a seat on its Board of Directors; member of the Board of Directors of AVERE, an association promoting the roll-out of electric mobility; founding member of the French Automotive Industry Platform (PFA).
- Member of the CARA Competitiveness Cluster: Cluster of the Auvergne-Rhône-Alpes Region for Mobility Solutions, which includes many players in the hydrogen energy sector.
- Member of the Hydrogen Council, a global initiative bringing together companies from the energy, transportation and industry sectors, launched during the 2017 World Economic Forum in Davos.

The development of hydrogen mobility capabilities perfectly illustrates the Michelin Group's growth ambitions, particularly in the area of high-tech materials. The strategy also reflects a broader vision of mobility that is more sustainable and widely accessible to all.

Michelin, a unifying global stakeholder for sustainable mobility

11 SUSTAINABLE CITIES AND COMMUNITIES — 17 PARTNERSHIPS FOR THE GOALS

In 2020, Michelin strengthened its position as a major proponent of sustainable mobility by pursuing its dialogue with global public-sector partners and its engagement with international coalitions, even as the health crisis disrupted the scheduling and configuration of headline international events. The International Transport Forum, for example, which was scheduled as usual for May in Leipzig, and especially the COP 26 meeting, which was to be held in November in Glasgow, were postponed until 2021. The traditional Transport Days, organized for non-state mobility actors by the United Nations High-Level Champions for Climate Action every year during the COP meeting, took place as planned on November 11, in a virtual format. As a recognized leader, Florent Menegaux was invited to open the working session by expressing the point of view of a mobility manufacturer deeply involved in fighting against Covid-19 and preparing for post-crisis reconstruction.

- Michelin is now fully engaged in the Sustainable Mobility for All (SuM4All) consortium, which in late 2020 reappointed the Group to the Steering Committee for a new two-year term as the only private-sector representative. The reappointment recognizes the Group's commitment to this World Bank-led global initiative, designed to give countries the resources they need to improve performance in the four core components of sustainable mobility: universal access, efficiency, safety and green. By applying the processing power of World Bank analysts to the data held by the fifty or so leading public-sector stakeholders who have joined the initiative since 2017, SuM4All has issued a Global Roadmap of Action (GRA) to support public policy decisions. It enables countries first to assess their position in the four core components (diagnostic phase), then to identify policy measures that have proven effective in similar conditions in other countries (roadmap for action phase), and lastly to obtain funding from the World Bank and multilateral development banks for SuM4All-certified, results-oriented projects.

  In 2020, Michelin actively contributed to a project designed to test this powerful tool in the specific case of South Africa, by engaging its local teams to challenge and enhance the project from a business perspective. Given the sudden emergence of the pandemic, the pilot South Africa GRA has obviously been revised to reflect the protective restrictions that now apply to all forms of sustainable mobility. In addition, with funding from its corporate Foundation, Michelin is participating in an SuM4All "reflection/action" group on gender and mobility, focusing on the challenges women face in transportation.
- In 2020, the Michelin Group also extended its role in the Transport Decarbonisation Alliance (TDA), a coalition of the "3Cs" (Countries, Cities/Regions and Companies) that are driving the systemic transformation of mobility with their mutual commitment to devising real-world solutions for a net-zero emissions transportation industry by 2050, particularly in the freight segment. By mobilizing the Movin'On ecosystem and raising TDA's profile during the Digital Meetings in June 2020, Michelin enabled the coalition to launch a global campaign to call public and private-sector stakeholders to action in support of zero-emission freight vehicles. In this way, it hopes to sign a global memorandum of understanding at the COP 26 meeting, rescheduled for November 2021, to communicate demand for these vehicles and hasten their arrival on the market.
- In 2020, Michelin continued to support the Paris Process on Mobility and Climate (PPMC), the historic coalition of non-government transportation stakeholders formed in 2015 during the French-led COP 21 conference. A major point of methodological reference for industry-wide decarbonization strategies, PPMC actively contributed to the completion and publication of national transportation roadmaps in two countries, India and Côte d'Ivoire, following on from Morocco in 2017. These projects, which are designed to help shape national low-carbon strategies, were supported with funding from the Michelin Corporate Foundation.

The Movin'On Summit: stepping up its commitment to taking sustainable mobility from ambition to action

Movin'On is the world's leading co-innovation ecosystem focused on sustainable mobility.

Mobility is at the heart of human development; it is essential to our societies and for the benefit of everyone. In response to the climate emergency and social unrest, mobility has to become safer, more sustainable, more accessible and more efficient. Based on the principle that no single stakeholder can meet current or future challenges alone, Movin'On, an initiative created and inspired by Michelin, gathers a wide range of public organizations, companies, associations and individuals around its vision and gives them the resources they need to innovate together to develop new sustainable mobility solutions. Today, the Movin'On ecosystem brings together over 250 players from 60 different countries, with its governance shared between several companies.

In 2020, Movin'On represents:

- Five start-up winners from the Start Up Challenge, who have been awarded various grants offered by partners of the Movin'On LAB so as to drive the development of their projects;
- 5 concrete and innovative mobility solutions created by the Movin'On ecosystem, subsequently labeled #EfficientSolutions by the *Solar Impulse Foundation*;
- Digital events attended virtually by 5,000 people, despite the health crisis, in place of the summit of June 3 and 4, 2020.

www.movinonconnect.com

Movin'On LAB

At the heart of the ecosystem approach to sustainable mobility innovation is the Movin'On LAB, a "think and do tank" that brings together leading stakeholders involved in sustainable mobility issues. They are helping to foster a continuous process of innovation and international collaboration within communities of interest, where they can forge and validate a shared vision, develop their strategies and propose innovative sustainable mobility solutions.

More than 300 organizations are working within the 30 Movin'On LAB's Communities of Interest. In 2020, 21 new Communities of Interest were established.

4.1.4.3 Reducing the environmental footprint of our manufacturing and supply chain operations

SDG 6.3, 6.4, 7.2, 7.3, 8.4, 9.4, 11.6, 12.2, 12.4, 12.5 and 14.1

Risks related to production and logistics operations

The main environmental risks arising from the tire manufacturing process concern the use of energy, water and raw materials resources, the release of pollutants into the air, water and soil, the production of waste and the release of greenhouse gas emissions. The transportation of semi-finished products among the various production plants and of products from the plants to dealerships around the world also gives rise to CO_2 emissions.

The Group is exposed to the risk of legal or financial consequences if its operations cause soil, water or air pollution or if it fails to comply with the applicable local, national or international environmental regulations and standards. These risks are effectively controlled through the Environmental Management System[(1)].

The Group's environmental policies reflect the "setting the industry standard for responsible manufacturing" Ambition for 2020. **To fulfill it, Michelin strove to reduce the environmental footprint of its production plants by 50%, as measured by the Michelin Environmental Footprint (MEF) performance indicator, while also improving the energy efficiency of these facilities by 38% compared with 2005[(2)].** The MEF indicator is described below.

In 2020, the new Environmental Policy, in its general policy section, affirms the fundamental principles for addressing environmental issues in determining the Group's vision and objectives. In addition, the section dedicated to facilities, including manufacturing, R&D, logistics and tertiary, defined how these principles should be applied to enable each one to manage its operations sustainably. This process is impelled by three main drivers:

- improving environmental performance and reducing impacts;
- identifying and managing environmental opportunities and risks;
- complying with applicable legislation and Group guidelines.

Based on the defined principles, environmental issues, environmental performance management procedures and Group objectives are all shared consistently across Group facilities.

In 2017, four MEF programs[(3)] (Energy/CO_2, Volatile Organic Compounds, Waste and Water) were created, each with two objectives:

- ensure that the MEF 2020 target is met, in particular by sharing best practices;
- prepare for the future by defining ambitious improvement targets for 2050, as well as intermediate milestones.

Each program is managed by a program leader, with the support of a multidisciplinary team of experts who perform medium and long-term opportunity and feasibility studies. They are all overseen by the Environmental Governance body (see section 4.1.4 The Environment/Environmental governance). Each program's policies and outcomes are described in detail in this section.

At the same time, the Group has developed prevention systems to manage the risks of soil contamination and to protect sensitive ecosystems around its facilities.

(1) See section 4.1.4.3 a) An Environmental Management System backed by a network of experts.
(2) See section 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition.
(3) See Methodology.

4.1.4.3 a) An Environmental Management System backed by a network of experts

The Group's EMS is designed to enable each plant to manage its impact on the environment, on both a day-to-day and long-term basis. 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 is structured into processes, so as to ensure compliance with ISO 14001-2015 standards. Since 2018, all of the production plants subject to certification have been certified to these standards.

Group guidelines dictate that every new production facility must earn ISO 14001 certification within five years of start-up. In 2020, 92% of all facilities were certified[1]. ISO 14001-certified facilities accounted for 97.6% of the products produced during the year.

To ensure the effectiveness of both the system's operating procedures and the implemented solutions, a networked organization is in place, comprising around 100 specialists based in every host country, plant and Operating Department. Its manager reports to the Environmental Governance body.

Dedicated training courses to support EMS deployment have raised environmental awareness among all of the nearly 76,000 employees working on certified sites, along with a varying number of subcontractors and temporary workers.

A total of €21.3 million (40% less than in 2019), was committed to projects to enhance the environmental performance of the production facilities.

These budget amounts are based on the definition recommended by the French Accounting Board (CNC recommendation 2003-R02 of October 21, 2003), which covers only outlays that are "supplementary" (i.e., excluding routine maintenance, operating costs, waste management and similar expenses) and "exclusively environmental" (i.e., excluding the environmental aspects of capital expenditure projects).

Budget allocation is analyzed in the following table.

Group	Total expenditure		
(in € thousands)	**2020**	**2019**	**2018**
Air pollution prevention	3,657	5,997	6,326
Surface water pollution prevention	1,457	953	3,465
Soil and subsurface water pollution prevention	1,965	2,543	2,835
Waste reduction and recycling	2,299	2,864	2,521
Sustainable use of water resources	1,532	2,047	2,982
Sustainable use of energy resources	6,405	12,510	12,634
Reduction of greenhouse gas emissions	3,038	6,588	6,878
Other	914	2,149	973
TOTAL	**21,268**	**35,651**	**38,613**

As of December 31, 2020, total consolidated provisions for environmental risk amounted to €7.2 million,of which 63% covered site assessment and remediation issues.

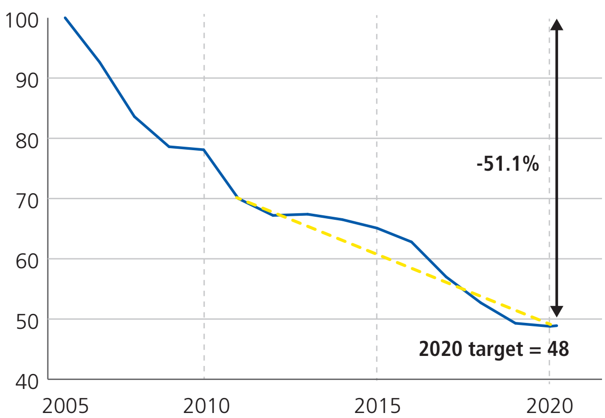
4.1.4.3 b) Reducing the environmental footprint of the production plants

Since 2005, Michelin has measured the key impacts from its manufacturing operations in terms of energy consumption, water withdrawals, CO_2 emissions, volatile organic compound (VOC) emissions, amount of waste generated and amount of waste landfilled (i.e., not recovered or reused).

Improvements are planned, driven and tracked at every level, from the shopfloor to the boardroom, through an indicator comprising these six variables, known as the Michelin Environmental Footprint (MEF). The MEF is included in the Group's balanced scorecard and is one of the eight strategic indicators that every plant must track to measure its operational excellence.

To fulfill the ambition of "setting the industry standard for responsible manufacturing," the target set in early 2016 for 2020 was to reduce the MEF by 30% compared with 2010 and by 50% compared with 2005, while using 25% less energy over the first period and 38% over the second.

Improvement in the Michelin Environmental Footprint (MEF) Indicator



(1) *Including the production plants, natural rubber processing facilities and Technology Centers having a material impact on the environment.*

In 2020, its last year of existence, the MEF was severely impacted by the effects of global health crisis on the Group's manufacturing operations. As a result, the sustained improvement observed since 2005 slowed in 2020, with the MEF showing only a slight year-on-year increase with a result of 48.86.

Excluding the two plants in Manaus and São Paulo, Brazil, which were included in early 2019, the MEF would have stood at 48.4 for the year.

Despite the unusual circumstances, the MEF was maintained below the historical target of 50, confirming the robust progress made since 2005 and the success of the environmental performance management process initiated when the indicator was introduced that year.

From 2021, this momentum will be sustained by the Group's new environmental indicator, the i-MEP, which will provide updated readings compared with a new baseline year. Progress will be driven by the four environmental programs deployed by the Group in 2017, which defined their 2030 roadmaps during the year. Based on the identified levers and projected outcomes, the new i-MEP indicator is expected to decline by one-third over the period to 2030. The objectives of the four programs are described in more detail below.

The 2020 performance is analyzed in the following tables.

Improvement in the Michelin Environmental Footprint (MEF) Indicator

Ambitions for 2020	2020 Ambition compared with 2005	2005	2010	2019	2020	2020 target	% change 2020/2005	% change 2020/2019
MEF	-50%	100	70	48.79	48.86	48	- 51.1%	0.1%
Energy consumption in GJ/t of finished product (FP)	-38%	17.4	14.4	11.92	12.36	11.37	- 28.9% (1)	3.7%

(1) *The 2020 performance was severely impacted by the Covid-19 crisis, with tire production volumes declining by 16.2% over the year and making it difficult to reach the performance levels expressed as a ratio. However, this major crisis forced the plants to work on their fixed energy use, which enabled local teams to gain a better understanding of the sensitivity of the process to wide swings in output and to improve their ability to manage facility shutdown and restart procedures.*

Summary table of environmental data – Group

	Ratios					Absolute values by MEF components - Group						
MEF component	2020	2019	2010	% change 2020 vs. 2019[1]	% change 2020 vs. 2010	2020	2019	2010	Unit	% change 2020 vs. 2019	% change 2020 vs. 2010	GRI and SASB indicators [2]
Energy consumption *(GJ/t FP)*	**12.36**	**11.92**	**14.40**	**3.7%**	**-14.1%**	**35,046**	**40,302**	**45,583**	**x 10^3 GJ**	**-13.0%**	**-23.1%**	**GRI 302-1 TR-AP-130a.1**
Michelin point sources	6.21	6.08	8.00	2.2%	-22.4%							GRI 302-3
Steam purchased, net	0.95	0.97	1.20	-2.2%	-20.8%							GRI 302-4
Electricity purchased, net	5.20	4.87	5.20	6.8%	0.1%							
Water withdrawals *(cu.m./t FP)*	**8.38**	**7.98**	**11.8**	**5.0%**	**-29.0%**	**23,746**	**26,985**	**37,322**	**x 10^3 cu.m**	**-12.0%**	**-36.4%**	**GRI 303-1**
CO_2 emissions[3] *(t/t FP)*	**0.87**	**0.86**	**1.24[4]**	**0.6%**	**-29.9%**	**2,463**	**2,919**	**3,880[3]**	**x 10^3 t**	**-15.6%**	**-36.5%**	**GRI 305-1**
Direct emissions from Michelin point sources (Scope 1)	0.36	0.41	0.58	-14.3%	-38.8%	1,007	1,401		x 10^3 t			GRI 305-2
Indirect emissions, steam generation (Scope 2)[4]	0.04	0.05	0.12	-7.0%	-62.9%	126	162		x 10^3 t			GRI 305-4
Indirect emissions, electricity generation (Scope 2)	0.47	0.40	0.58	17.0%	-19.1%	1,330	1,356		x 10^3 t			GRI 305-5
VOC emissions *(kg/t FP)*	**1.68**	**1.74**	**2.89**	**-3.2%**	**-41.7%**	**4,776**	**5,877**	**9,155**	**t**	**-18.7%**	**-47.8%**	**GRI 305-7**
Waste generated *(kg/t FP)*	**95.7**	**97.9**	**109.5**	**-2.2%**	**-12.6%**	**271,232**	**330,836**	**348,461**	**t**	**-18.0%**	**-22.2%**	**GRI 306-2 TR-AP-150a.1**
Waste landfilled *(kg/t FP)*	**2.60**	**3.08**	**10.20**	**-15.7%**	**-74.5%**	**7,360**	**10,419**	**32,561**	**t**	**-29.4%**	**-77.4%**	
MEF INDICATOR PERFORMANCE	**48.86**	**48.79**	**70.0**	**0.1%**	**-30.2%**							
Other environmental indicators												
Total Michelin direct and indirect emissions avoided *(tonnes of CO_2)*						33,000	33,000	24,000				GRI 305-5
Sulfur dioxide emissions *(kg/t FP)*	0.39	0.41	0.96	-5.7%	-59.7%							GRI 305-7
Nitrogen dioxide emissions *(kg/t FP)*	0.44	0.47	0.83	-6.5%	-47.0%							GRI 305-7
Hazardous waste generated *(kg/t FP)*	8.54	8.29	-	3.0%								GRI 306-2 TR-AP-150a.1
Number and total surface area of facilities located less than one kilometer from a protected area			-					28 facilities totaling 6,600 ha				GRI 304-1
In 2020, the Michelin Group did not incur any significant fines or non-monetary sanctions for non-compliance with environmental legislation and/or regulations.												GRI 307-1

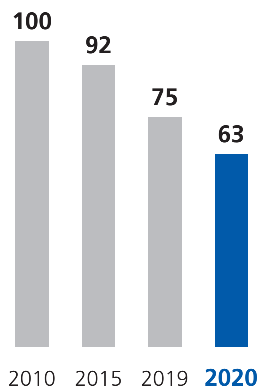
(1) Changes are calculated on the basis of exact figures.
(2) GRI, Global Reporting Initiative Standards, 2016. / SASB, Sustainability Accounting Standard Board, Auto parts, 2018.
(3) "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, revised edition", World Business Council for Sustainable Development and World Resources Institute.
(4) With 2010 Scope 2 emissions recalculated to take into account a new method applied as of 2015. See explanations in box below.

Recalculation of 2010 emissions based on differentiated emission factors for purchased steam

Until 2014, the same emission factor was used for every site that purchased steam, regardless of the primary energy (coal, fuel oil or gas) or technology used by the vendor, and based on the same fuel utilization efficiency ratio of 50%[(1)]. In 2015, the Group decided to replace the single emission factor of 0.404 tonnes of CO_2 emitted per MWh of purchased steam by three emissions factors, one for each primary energy used, and to apply fuel utilization efficiency assumptions that were closer to the actual ratios of the installed facilities. This means that the new baseline for the Group's 2030 target[(2)] corresponds to the 2010 emissions recalculated according to the new method, i.e., 3.877 million cubic meters instead of the originally calculated 4.067 million, or 1.24 tonnes of CO_2 per tonne of finished product instead of 1.28.

4.1.4.3 c) Reducing energy use and greenhouse gas emissions

CHANGE IN CO_2 EMISSIONS*
(base 100)



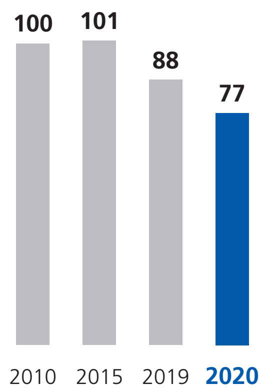
* *Absolute value.*

CO_2 emissions from the Group's production facilities, which had fallen in absolute value by 25% over the 2010-2019 period, were reduced by prevailing circumstances by a further 15.6% year-on-year in 2020, for a total 37% reduction since 2010. The ratio of CO_2 emitted per tonne of finished product stood at 0.87 in 2020, down 29.9% on 2010. The ratio was relatively unchanged year-on-year, with a slight 0.6% gain demonstrating resistance to the steep 16.2% decline in output.

This long-term improvement and ability to maintain performance per tonne of finished product despite the significant decline in production volumes were driven by a two-pronged strategy designed to: (i) reduce energy use and (ii) shift to a less carbon-intensive energy mix. The first objective is being pursued through an energy efficiency process led by the Manufacturing Department, while the second is being met by activating both structural levers, to upgrade energy supply infrastructure to use less carbon-intensive energies, and market levers to purchase less carbon-intensive energies. To spur further progress, an internal carbon price is used in analyzing return on investment in capital projects[(3)].

Improving energy efficiency

CHANGE IN ENERGY CONSUMPTION*
(base 100)



* *Absolute value.*

2020 Achievements

In 2020, the Group's energy consumption stood at 12.36 GJ per tonne of finished product, down 14.1% on 2010 but up 3.7% year-on-year.

The 2020 performance was severely impacted by the Covid-19 crisis, with tire production volumes declining by 16.2% over the year making it difficult to reach the performance levels expressed as a ratio. Given that a proportion of consumed energy is fixed, it could not be reduced in line with the contraction in production volumes. However, this major crisis forced the plants to work on their fixed energy use, which enabled local teams to gain a better understanding of the sensitivity of the process to wide swings in output and to improve their ability to manage facility shutdown and restart procedures.

After two years of preparation, the roadmap for improving energy efficiency to achieve net-zero carbon emissions in 2050 has now been integrated into the production plants' five-year strategic plans. The technical solutions and related capital expenditure budgets have been included in their 2021 improvement plans. Among the 11 selected technical solutions, the first to be deployed will improve the energy efficiency of the curing process, with the introduction of ten best practices in existing facilities ("Reduce" lever) and electrification of the new curing presses ("Avoid" lever). In the European plants, following

(1) *For more information, please refer to the 2015 Registration Document, page 178.*
(2) *In accordance with Recommendation 13 of the SBTi Criteria and Recommendations, Version 2.0.*
(3) *See section 4.1.4.1 e Carbon pricing.*

on from the Ladoux, Montceau-les-Mines and Gravanches facilities in France, heat pumps are steadily being installed to take over a growing share of building heating needs ("Recycle" lever).

Nearly 30 projects are under consideration to upgrade boilers and utilities to improve their energy efficiency and increase the proportion of electricity and heat generated from renewable sources[1].

To support this very ambitious roadmap, the Energy competency network will be expanded with the creation of an Energy Expert position for Europe and a separate two-year post dedicated to leading the Energy Efficiency Roadmap deployment program.

All together, the energy efficiency improvement program was supported by €12.35 million in capital expenditure in 2020.

2030 Roadmap

In 2020, the technical levers to be activated over the next decade and their related capital expenditure programs were identified. Examples include (i) electrifying processes; (ii) improving performance and control of tire curing equipment (insulating press open/close) and motor drives; (iii) increasing the efficiency of utilities (steam, compressed air and cooling production); and (iv) installing new heat pumps.

Together, these projects are expected to improve energy efficiency by 37% in 2030 compared to 2010, or by 24% compared to 2019.

Driving the Group's energy transition

Increasing the use of renewable energies

In a commitment to sustainably reducing the Group's carbon footprint, strategies have been in place since 2008 to increase the use of renewable energies. These biomass, solar power and wind power projects often have long maturity cycles.

Today, 18 Group facilities are equipped with renewable energy installations.

Facility	Technology	Tonnes of CO_2 emissions avoided in 2020*
Bassens, France	Purchase of heat generated by a waste incinerator	5,000t (direct CO_2)
Cholet, France	Biomass-fired boiler	4,500t (direct CO_2)
Bourges, France	Biomass-fired boiler	3,250t (direct CO_2)
Vannes, France	Purchase of household waste methanation heat	300t (direct CO_2)
La Combaude, France	Purchase of heat from biomass-fired facilities	2,000t (direct CO_2)
Nongkae, Thailand	Photovoltaic panels	550t (indirect CO_2)
Phrapadaeng,Thailand	Photovoltaic panels	200t (indirect CO_2)
Laem Chabang, Thailand	Photovoltaic panels	150t (indirect CO_2)
Chennai, India	Photovoltaic panels	1,700t (indirect CO_2)
Germany, seven facilities	Photovoltaic panels	11,000t (power sold back to the grid)
Valladolid, Spain	Photovoltaic panels	1,000t (power sold back to the grid)
Le Puy, France	Photovoltaic panels	200t (sold back to the grid)

* *Based on emission factors for the substituted energies published by the International Energy Agency in "CO_2 Emissions from Fuel Combustion", 2016 edition.*

In Germany, 27 MWp of photovoltaic panels were installed on several different sites between 2006 and 2017. In Valladolid, Spain, 31,000 square meters of solar panels with peak capacity of 3.3 MWp were commissioned in 2010 and 2011. At the Le Puy-en-Velay plant in France, rooftop photovoltaic panels with an aggregate capacity of 3 MWp were installed in 2011 over three hectares, or three quarters of the roof's surface. The output of all these installations, which totaled 32,000 MWh in 2019, is sold back to the national grids, helping to reduce the host country's electricity emission factor.

Other installations are directly reducing the Group's CO_2 emissions.

At the Bourges and Cholet plants in France, two biomass-fired heating plants rated 5 and 10 MW, respectively, came on stream in 2010.

Since 2013, the plant in Vannes, France has used steam generated from a boiler fired by biogas derived from the methanation of household waste.

In Thailand, the 0.88 MWp photovoltaic panels installed on the Nongkae plant's parking lot shade roofs in late 2018 generated 1,200 MWh of power in 2020, unchanged from 2019. The installation is the Group's first solar farm, whose power is directly used on-site.

In 2020, three new solar power units came on line and one was removed from the scope of emissions reporting:

- in **Phrapadaeng and Laem Chabang**, Thailand, the 0.99 MWp photovoltaic panels installed on the plant rooftop and the parking lot shade roofs were commissioned in the first half. Over the year, they generated a total of 700 MWh of power, with full-year capacity of the entire installation rated at around 1,500 MWh;
- in **Chennai,** India, 4.2 MWp of rooftop photovoltaic panels came on line in June 2020 and generated 2,300 MWh of power used entirely on-site. Annual output is rated at 5,500 MWh, or 10% of the facility's needs;
- the plant in **Dundee**, Scotland was closed, and the site transformed into the Michelin Scotland Innovation Parc Ltd (MSIP), which continues to use the electricity generated by the plant's wind turbines.

(1) *See below, Purchasing electricity from guaranteed renewable sources.*

Compared with the emissions from previously used energy sources, these on-site renewable energy installations avoided the emission of almost 30,000 tonnes of CO_2 in 2020, of which 18,000 tonnes directly reduced the Group's total CO_2 emissions.

A number of major projects were under way in 2020:

- in **Golbey,** France, the project to purchase steam generated by burning waste from a nearby paper mill continues apace;
- in **Troyes,** France, the plant expects to begin purchasing heat and power from a household waste-fired combined heat and power (CHP) facility in 2021, covering around 15% of its needs;
- in **Asia**, the installation of solar panels is under review at several other facilities.

Purchasing electricity from guaranteed renewable sources

Since 2017, all of the Group's production plants in the European Union use electricity from renewable sources, mainly through direct purchases of electricity with guarantees of origin as defined by Directive (EU) 2018/2001(1) but also, to a lesser extent, through the purchase of unbundled guarantees of origin.

In 2020, this represented nearly 1,308,000 MWh, or 32% of all electric power used by the Group, and avoided the release of 328,000 tonnes of CO_2. Without these purchases, the Group's emissions would have been 13% higher for the year.

In Thailand and India, four plants have agreements to purchase electricity from renewable sources under Power Purchase Agreements.

In all, 14.6% of energy (thermal and electric combined) used by the Group in 2020 came from renewable sources. [SASB TR-AP-130a.1]

Eliminating coal

In China, in the final quarter of 2015, the Shanghai plant replaced its steam generated on-site in a coal-fired boiler with steam purchased from a gas-fired CHP power station.

Today, four of the Group's manufacturing facilities are still equipped with coal-fired boilers, in Olsztyn (Poland), Louisville KY (United States), Bassens (France) and Pirot (Serbia), while another, in Shenyang, China, purchases steam from a coal-fired plant. In 2018, the Environmental Governance body(2) approved the goal of eliminating coal as an energy source in the production plants by 2030. Studies to replace coal with natural gas, biomass or other primary energy source are under way at four of the five plants. In an initial step towards going coal-free, the Olsztyn plant has installed a gas-fired boiler that came on line in mid-2020 and is expected to supply 20% of its heating.

The Group's first zero emission plant

Since the end of 2019, the Gravanches plant in Clermont-Ferrand has been heated by a heat pump system that recovers waste process heat. With all its other energy needs covered for the past three years by purchasing electricity from guaranteed renewable sources, Gravanches has become the Group's first net zero carbon emissions site. In 2020, the 250 MWh of gas needed to supply heat during pump maintenance outages were covered by purchases from renewable sources with guarantees of origin.

2030 Roadmap

As part of its commitment to achieving net zero carbon emissions across its entire production base by 2050, the Group has set an intermediate target of reducing its emissions by 50% by 2030 compared to 2010. In addition to improving energy efficiency, the Group is exploring a wide array of sustainable solutions to use renewable sources not only to generate electricity (projects underway in Brazil, the United States, Asia and Europe), but also thermal energy by burning biomass and biogas as fuel. The latter is a more difficult challenge, as the commercial supply of sustainably produced biogas and biomass is not growing as fast as the supply of electricity from guaranteed renewable sources.

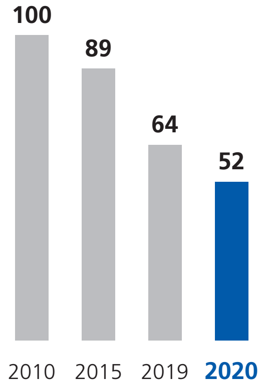
(1) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.328.01.0082.01.ENG

(2) See section 4.1.4 The Environment/Environmental governance.

4.1.4.3 d) Reducing harmful air emissions

Declining VOC emissions

CHANGE IN VOC EMISSIONS*



* *Absolute value.*

Volatile organic compound emissions per tonne of finished product declined by 3.2% year-on-year in 2020, compared with 2019.

The Group's strategy to lower its VOC emissions is based on reducing the use of organic solvents in production processes.

This is being done in three ways:

- Deploying **good manufacturing practices** to optimize solvent use, in particular by tracking quantities used, precisely adjusting the solvent applicators, using just the right amount of solvent and maintaining performance over time. The following examples illustrate a few of these practices:
  - several plants, such as Shenyang 2 in China and Aranda in Spain, have been equipped with portable flowmeters that measure solvent use in real time. Analyzing the data enabled us to compare solvent application by machine, by size and by product, so that practices could be aligned.
  - the Aranda plant conducted a one-year Lean (Green Belt-level) study to abate VOC emissions, which helped to optimize the number of solvent spray nozzles, spray activation, and control of the automated solvent application system. These upgrades could potentially reduce VOC use by around 11%,
  - the São Paulo plant in Brazil has eliminated the use of solvents in its cutters;
- the introduction of **new process, materials and product solutions** designed to reduce or remove organic solvents at certain interfaces. For example:
  - in Hungary, the Nyiregyhaza plant has replaced an organic solvent with a water-based solvent,
  - a number of production facilities in Europe[1] pursued their programs to replace solvents with a thin rubber film on an interface between two products.
- 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.

In all, VOC emissions per tonne of finished product declined by 41.7% between 2010 and 2020.

A second plant producing tires without any VOC-generating organic solvents:

Following the Bad Kreuznach plant's initial run of passenger car tires produced without using any organic solvents in 2019, the Nyiregyhaza plant successfully rolled out its first VOC-free tires in 2020, further illustrating the Group's commitment to significantly reducing its impacts.

2030 Roadmap

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. This objective will be met by deploying the three levers for action described above and by launching innovative research projects to overcome the main technical obstacles.

Nitrogen oxide (NO_x) and sulfur oxide (SO_x) emissions

In general, reported data concern nitrogen oxide and sulfur oxide emissions from the Group's heating plants that can vary widely from year to year, because they are calculated based on the periodic (often quarterly) measurement of emission concentrations. In addition, given that purchased steam is not included in the calculation, reported data depend on the mix between generated and purchased steam.

In 2020, NO_x emissions amounted to 0.44 kg per tonne of finished product, versus 0.62 kg in 2015 and 0.83 kg in 2010.

SO_x emissions came to 0.39 kg per tonne of finished product, versus 0.54 kg in 2015 and 0.96 kg in 2010.

In 2015 and 2016, four upgrades helped to significantly reduce NO_x and SO_x 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 DeSOx/DeNOx 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. The total elimination of coal-fired boilers in all of the Group's production facilities by 2030 will drive a further significant reduction in these emissions.

(1) Vitoria and Valladolid in Spain, Bad Kreuznach in Germany, Cuneo in Italy and Cholet in France.

4.1.4.3 e) Reducing and managing waste

The Group's waste management policies are based on three principles:

- reducing the amount of waste produced, in particular through reuse;
- recovering and reusing all of the waste produced;
- focusing outsourced waste treatment on recovering and reusing materials rather than recovering energy through burning.

These policies are seamlessly aligned with a circular economy approach[1].

In 2020, the Group produced 95.7 kg of waste per tonne of finished product, representing a 2.2% improvement on 2019. In addition, the amount of landfilled waste declined by 15.7% year-on-year, to 2.6 kg per tonne of finished product. In this way, 97.4% of all waste is recovered or reused as materials or fuel, with 57 of the 78 facilities recovering at least 95%. [SASB TR-AP-150a.1]

These gains have been driven by the initiatives undertaken in every region to (i) to reuse materials or products in-house in less demanding applications; (ii) find new recovery and reuse outlets; (iii) continue raising employee awareness across the organization; (iv) review end-of-waste criteria; (v) develop best practices such as repair, regeneration and decontamination.

Since 2005, the volume of waste generated per tonne of finished product has been reduced by around 32%, to 95.7kg/t from 140kg/t, and the volume of waste landfilled has fallen by more than 92% to 2.6kg/t from 33kg/t.

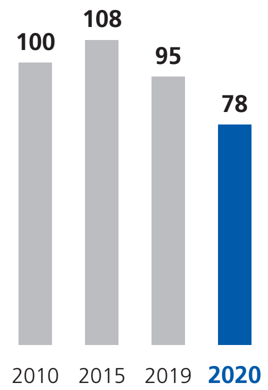
Around 8.9% of total waste generated in 2020 was classified as hazardous under each country's legislation. [SASB TR-AP-150a.1]

Although combating food waste is not an issue in its business operations, Michelin still feels that it is a challenge for society and seeks to raise awareness among employees, particularly through its foodservice providers.

2030 Roadmap

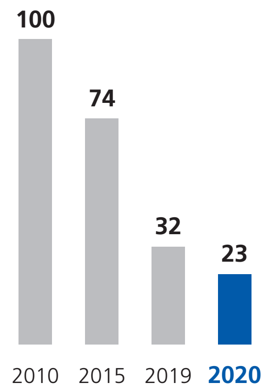
In line with its 2050 vision, the Group has set an intermediate objective of reducing the amount of waste produced per tonne of finished product by 25% in 2030 compared to 2019. In addition to the positive impact of phasing out coal by 2030, the robust pace of improvement observed since 2015 will be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

CHANGE IN WASTE GENERATED*
(base 100)



* *Absolute value.*

TOTAL WEIGHT OF WASTE LANDFILLED*
(base 100)



* *Absolute value.*

4.1.4.3 f) Reducing water withdrawals and effluent discharge

In 2020, water withdrawals declined by 12% year-on-year in absolute value, primarily due to the 16.2% decline in production volumes caused by the Covid-19 crisis.

However, this same steep fall in output led to a 5% increase in the amount of water withdrawn per tonne of finished product. This is because when manufacturing plants are not operating at their throughput capacity, the systems to produce steam, hot water and cold water required for their operation lose efficiency. Repeatedly starting and stopping these systems, as occurred during the year, also dampens their performance and causes them to use more water per unit of output.

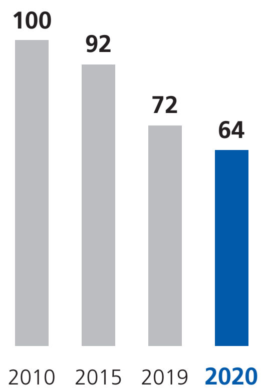
However, the temporary impact of the Covid-19 crisis has not altered the Group's water strategy, which is to respond to the resource's growing scarcity by steadily reducing its withdrawals.

This strategy is being advanced by the following levers:

- reducing and eliminating leaks;
- reducing steam consumption;
- reducing evaporation;
- optimizing recycling and/or reuse;
- using water-saving systems;
- measuring and controlling water use;
- raising people's awareness of water issues.

(1) 4.1.4.2 b) The Michelin 4R strategy for a circular economy.

CHANGE IN WATER WITHDRAWALS*
(base 100)



* *Absolute value.*

Even during a global pandemic, the following examples illustrate how these levers are being activated to support the Group's strategy to reduce its water withdrawals:

- Shenyang 2, China: a heat pump installed upstream from the cooling towers is reducing the amount of water lost to evaporation. This is expected to save 12,000 cubic meters of water a year, or 1.9% of the site's water withdrawals;
- Spartanburg SC, United States: completed in late 2020, a project to recycle boiler and cooling tower purge water using reverse osmosis will reduce the plant's water withdrawals by 6% a year;
- Cholet, France: by improving the management of back-up cooling water in response to fluctuating process needs, a changeover to new control valve technology will reduce the plant's water consumption by around 3.8% over the year;
- Rayong, Thailand: after observing its water use points, the plant launched several water-saving initiatives, such as installing a valve to automatically cut off the water supply during machine shutdowns, adjusting flow rates according to product specifications and installing level meters to prevent overflows. These initiatives have reduced the plant's annual water withdrawals by more than 20%;
- Olsztyn, Poland: digitalization and real-time meter tracking enabled the plant to continue analyzing its water use. In turn, this helped to identify a number of leaks, resulting in around a 10% reduction in water use in the plant area under study.

Other projects are currently being reviewed to reduce water withdrawals and will deliver their results in the years to come.

- Troyes, France: a study is under way to replace the current open loop equipment cooling system, which would reduce the plant's water withdrawals by around 60%;
- Montceau-les-Mines, France: the plant is conducting a study to recycle effluent from its water treatment plant, which could cover about 50% of its water needs.

Water use disclosures

Since 2016, Michelin has responded to the CDP Water Security questionnaire to disclose its water withdrawals by source and by water stressed area (in line with GRI-303-3). **The Group received a score of A- in 2020[1].**

2030 Roadmap

In line with its 2050 vision, the Group has set an intermediate objective of reducing its withdrawals per tonne of finished and semi-finished product, weighted for water stress, by 33% in 2030 compared to 2019. To meet it, the Group will deploy innovative digitization, reuse and recycling programs, while continuing to instill best practices across the organization to improve its water efficiency.

4.1.4.3 g) Preventing releases to soil and groundwater

The Group's Environmental Management System includes a dedicated process to prevent the risk of chronic or accidental spills based on three fundamentals: (i) clearly defined operating procedures, (ii) environmental impact awareness building; and (iii) results-oriented actions. Standard operating procedures, which were updated in 2016 and apply to all of the Group's property assets, demand that risks and opportunities be very robustly managed. They were inspired by the strictest legislation prevailing in this area, and regularly exceed local standards.

In addition to preventive measures, all of the Group's plants are expected to follow the regularly updated site assessment and cleanup procedures (CSS) first issued in 2006, which enable them to detect potential usage risks and to manage them with state-of-the-art solutions. The procedures are especially applied when any excavation work is performed at existing sites, when an accidental spill requires analysis to manage or confirm a potential risk or when requested by local authorities. They are also applied in the case of an acquisition, the creation of a joint venture or a new company, or the purchase, lease or sale of all or part of a site or a property asset. This process requires disciplined oversight, particularly the use of qualified service providers generally managed through framework agreements and the tracking of open cases by local coordinators. In addition, since 2018, these contractor framework agreements have included performance indicators tracked every six months, which help to ensure superior performance.

In all, 11 new CSS procedures were initiated in 2020 and 15 were closed, bringing the total number of procedures completed since 2015 to 95.

Lastly, to improve knowledge and practices both inside and outside the organization, Michelin has co-led the CSS Industry Club in association with other manufacturers since 2015.

(1) See https://www.michelin.com/documents/reponse-au-questionnaire-cdp-water-security-2020-en-anglais-seulement/

4.1.4.3 h) Abating noise pollution and odors

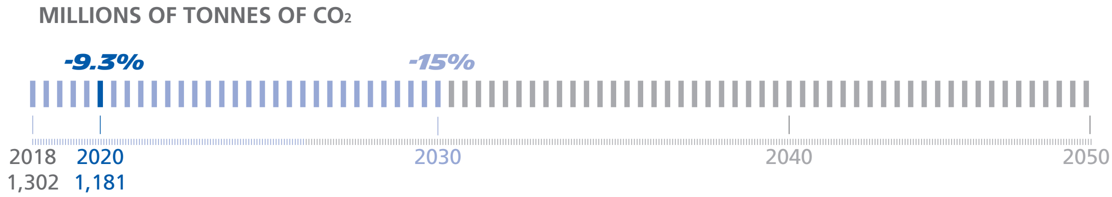
Although entirely innocuous, odors are nonetheless an issue for Michelin plants, some of which are located in built-up areas. These odors may be generated by the process used to produce certain types of natural rubber components used in tire manufacturing.

The standard solution, based on the thermal oxidation of effluents, has now been retrofitted at several European facilities and at the plant in Shenyang, China. New technologies are also being explored. In the case of noise pollution, manufacturing operations whose noise levels are not particularly significant consistently comply with local legislation in every host community. When designing new facilities or extensions, guidelines are followed to ensure that noise-generating equipment, such as fans and other auxiliary systems, are installed far from the property boundaries.

More generally, the on-site teams work with Group experts to abate the odors, noise and other potential environmental nuisances that manufacturing operations may cause local residents.

4.1.4.3 i) Sustainable logistics operations

The objective of reducing CO_2 emissions by 10% per tonne sold over the 2010 to 2020 period was met in 2019, when the total reduction came to 10.3%.



(2019 vs. 2018: -2.3%)

In line with the commitments made to the Science Based Targets initiative (SBTi) for Scope 3 emissions, the corporate Supply Chain Department has set an ambitious new objective: to reduce CO_2 emissions from logistics operations, in tonnes, by 15% between 2018 and 2030.

In 2018, these emissions stood at 1.302 million tonnes, including inter-facility transportation, customer deliveries and warehouse operations. This figure was estimated using a commercial software application that complies with the latest calculation standards and recommendations issued by the Smart Freight Center and other international organizations and supports the application of a sustainable, reliable, data-consistent approach in every host region.

Emissions totaled 1.277 million tonnes of CO_2 in 2019, representing a 2% reduction in the environmental impact over the year. The improvement was led by the deployment of initiatives to activate each of the three strategic levers: transport less, transport better and transport differently.

In 2020, CO_2 emissions declined to 1.181 million tonnes, representing a 9.3% reduction compared to 2018, primarily due to drop in production output in the wake of the Covid crisis. Initiatives in the three levers were pursued during the year, but their impact is more difficult to estimate because of the huge volume shortfall compared to previous years.

Transporting less, the fundamental lever

Transporting less embeds sustainable development deep into the logistics strategy, by addressing it in every decision. The resulting analytics help to identify where inventory should be ideally located to improve product availability, while avoiding unnecessary transportation. They also guide the choice of production sites, with a preference for local facilities to limit the transfer of finished products between producing and consuming regions.

The performance indicator of this lever is the ratio of tonnes transported to tonnes sold. In 2019, this ratio improved by 4.3% year-on-year, mainly due to the elimination of certain semi-finished product deliveries in Europe and North America. In 2020, transported tonnes declined circumstantially, making it difficult to measure performance levels using this ratio.

Transporting better, an operational lever

The second lever consists in optimizing current transportation systems, based on three avenues for improvement:

Engaging with our transportation partners

Michelin firmly believes that partnerships with logistics providers are mutually beneficial over the long term. Contrary to 2018 and 2019, it was not possible to organize seminars with shippers in 2020, although in Europe, the LABS on initiatives already underway were renewed during the year. In North America, the periodic partner review was maintained in order to identify new pathways to improvement in CSR issues.

Optimizing our current transportation systems

In its commitment to using existing resources more efficiently, Michelin optimizes truck and container fill rates using digital applications that maximize each load. In Spain, for example, tests were performed on the use of jumbo 32-meter EcoCombi semi-trailers for plant-to-dealership deliveries, which confirmed the solution's cost-effectiveness and environmental benefits. Michelin is now actively working on its deployment in other European countries as well as on certain port-to-plant routes in Brazil.

Promoting and developing multimodal solutions

In Europe and the United States, Michelin has led a number of major projects to deploy multimodal solutions, which have proven highly effective in attenuating environmental impacts and negative externalities. Routing containers to the South Carolina hub via the inland port in Greer has eliminated more than 300 trucks a month on routes from the port of Charleston to the various facilities across North America. In Europe, freight between Poland and Germany is now shipped by train rather than truck, avoiding the release of 42 tonnes of CO_2 per week and shifting 70,000 kilometers from road to rail every year. All shipments between Spain and the United Kingdom are now carried by boat, which, despite the longer transit times, has eliminated 1,000 trucks a year transiting through France and avoided the release of 700 tonnes of CO_2.

Also in Europe, the Group has pledged to reduce its CO_2 emissions by 5% as part of the targets set for the 2019-2022 period by the FRET21 program initiated by AUTF and ADEME in France.

Transport differently, a lever for innovation

The third lever is activated by implementing innovative solutions, informed by two processes:

Collaborating with outside organizations

An effective way to reduce the environmental impact of logistics operations is to share ideas and projects with other industry stakeholders. With this in mind, Michelin continues to play a leading role in such associations as Écologie Logistique, France Supply Chain and Clean Cargo. Regular involvement in these organizations is driving significant progress in identifying courses of action, while laying the foundations for collaborative work on innovative issues supporting the sustainable mobility of goods and decarbonized transportation.

Innovating to deploy more environmentally friendly technologies and practices

Michelin takes an active part in discussions about the future of logistics, in a commitment to promoting and deploying innovative technologies. The Group uses natural gas and electric trucks for deliveries in Europe and the United States. In addition, in Europe, pooling certain shipments with other companies is helping to optimize truck fill rates and reduce the number of empty kilometers.

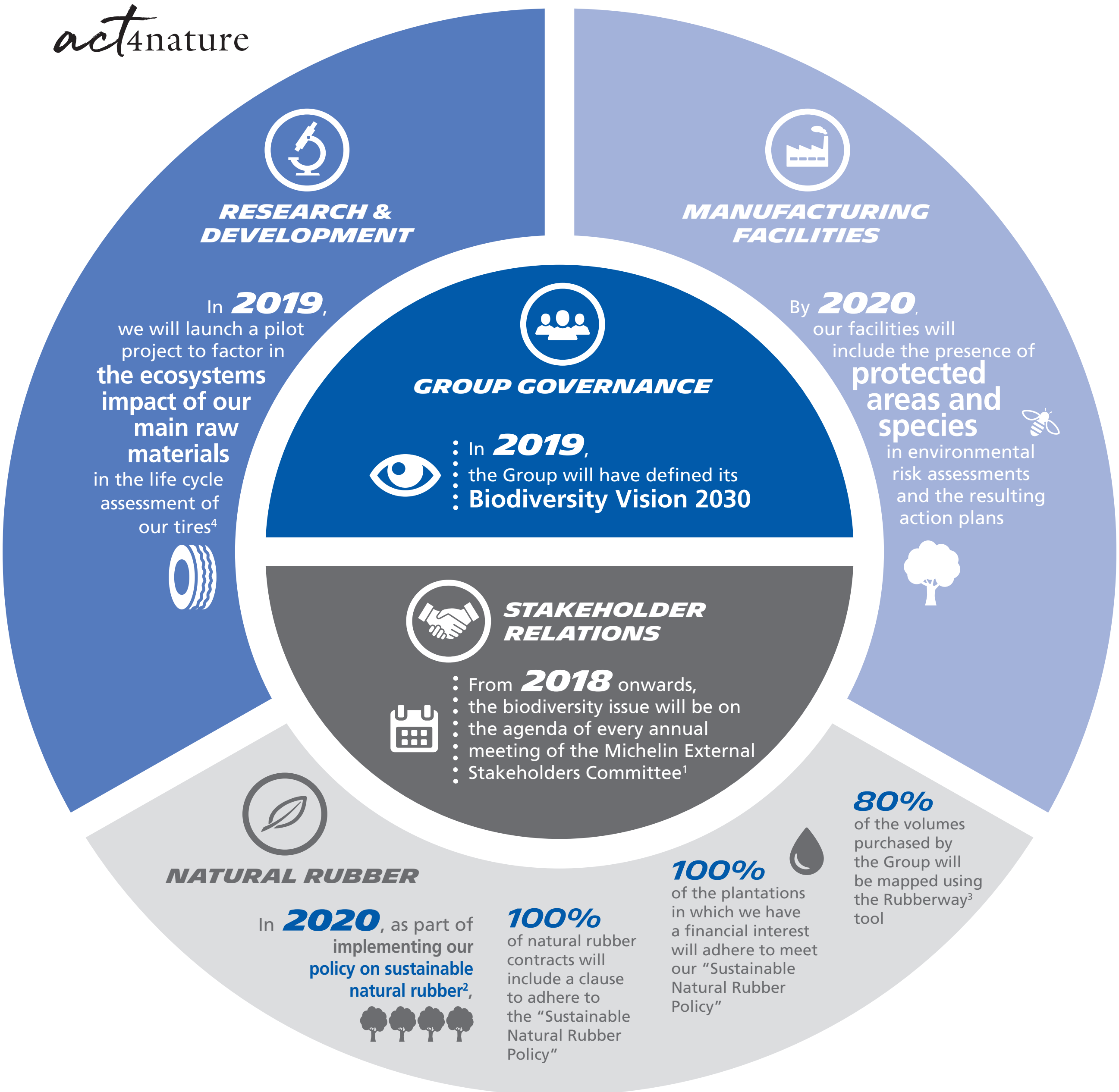
4.1.4.4 Supporting biodiversity SDG 8.4 and 15.9

Michelin, like every company, relies on biodiversity and ecosystem services, such as the supply of raw materials, water provisioning and climate regulation, to conduct its business sustainably. This is why the Group, through its research and development, designs environmental stewardship into every product, by selecting the right materials, tire architecture and production processes. It also strives to improve the environmental performance of its production plants and to encourage sustainable natural rubber-tree farming.

Since 2018, the Group has formalized its commitment to biodiversity by joining the ***act4nature initiative (act4nature international since 2020)***, launched by French association *Entreprises pour l'Environnement* (EpE). For the first time, more than 60 business leaders signed a charter of ten common commitments, along with individual commitments for each member company.

4.1.4.4 a) Michelin's individual commitments, 2018–2020

Michelin has pledged to address biodiversity in its strategy so as to avoid or reduce impacts across its value chain.



(1) The stakeholder committee is made up of representatives of NGOs, including the WWF, universities, international institutions, trade unions, customers and suppliers.

(2) The "Sustainable Natural Rubber Policy" stipulates the conditions in which natural rubber is produced and marketed. It specifies both environmental factors (zero deforestation, protection of areas of High Conservation Value (HCV), areas of High Carbon Stock (HCS) and peatlands) and social and human rights-related factors (working conditions and the prior free and informed consent of the populations concerned). For more information, visit https://purchasing.michelin.com/fr/gestion-responsable-de-filiere-heveicole/

(3) Online questionnaire for the various stakeholders involved in the upstream natural rubber supply chain. It is designed for four types of respondents: small-scale growers, plantations over 45ha, intermediaries and natural rubber processing plants.

(4) Number of life cycle assessment carried out that factor in these impacts / total number of LCAs performed.

4.1.4.4 b) Update on the *act4nature* individual commitments

Corporate governance

Objective met

Set up in late 2018, a multidisciplinary operational committee, led by the Sustainable Development Department, brings together life cycle assessment experts and specialists from the Corporate Environment and Responsible Procurement Departments. It presents its recommendations to the Environmental Governance body for validation.

Approved by the Environmental Governance body in 2019, the 2030 roadmap for the Group's biodiversity vision will be expressed in new commitments validated by *act4nature* international in 2021.

Dialogue with stakeholders

Objective met

In the fall of 2018, the *act4nature* commitments were presented to the Corporate Stakeholders Committee[(1)].

In 2019, the partnership with the WWF led to the creation of the Global Platform for Sustainable Natural Rubber (GPSNR), under the auspices of the Tire Industry Project and the World Business Council on Sustainable Development (WBCSD)[(2)].

In 2020, the Group maintained its ongoing dialogue and programs with stakeholders like the WWF, *Entreprises pour l'Environnement* and the GPSNR.

Research and development

Objective met

In partnership with the CIRAIG's International Life Cycle Assessment Chair[(3)], a pilot project was conducted in 2019 to determine the most effective scientific methods for measuring the impact of our raw materials on ecosystems.

In 2020, findings from the raw materials LCAs were incorporated into the LCAs performed on new products[(4)].

Natural rubber[(5)]

Objective met

As of end-2019, every natural rubber contract included a "Sustainable Natural Rubber Commitment" clause.

Objectives carried forward[(6)]

In late 2020:

17% of the plantations had been audited.

55% of volumes had been mapped with Rubberway®.

Manufacturing facilities

Objective met

As of end-2019, all the production plants had inventoried their protected areas and species.

As of end-2020, management plans had been deployed at the eight plants[(7)] that had identified protected areas at risk of pollution.

(1) See section 4.1.2.5 a) Stakeholder dialogue.
(2) See section 4.1.1.3 c) A dedicated approach for natural rubber/The Global Platform for Sustainable Natural Rubber (GPSNR).
(3) International Reference Center for the Life Cycle of Products, Processes and Services.
(4) See section 4.1.4.2 a) Integrating eco-design principles and wider use of life cycle assessments.
(5) See section 4.1.1.3 c) A dedicated approach for natural rubber.
(6) Impact of Covid-19 in 2020: No plantations were inspected or Rubberway® mapping performed during lockdowns and border closures during the year.
(7) Of the 78 plants in the MEF scope of reporting. See Methodology/Environmental Indicators.

4.1.4.4 c) New *act4nature international* individual commitments

In 2021, Michelin renewed its commitment to easing the pressure on biodiversity from its operations, across the value chain, by setting objectives for 2030[(1)] as part of its "***All Sustainable***" vision.

Research and development

All new product lines and services marketed in 2030 have undergone a Life CycleAssessment (LCA) including biodiversity criteria drawn from best practice LCA methods.

Raw materials

- 80% of the natural rubber volumes used by the Group comply with the environmental criteria in the "Sustainable Natural Rubber Policy."
- 80% of raw material suppliers, other than natural rubber, that are identified as having the greatest impact on biodiversity[(2)] have had their policies and practices assessed.

(1) Milestones have also been set and validated up until 2025.
(2) The impacts from raw materials are identified with life cycle assessments.

Manufacturing facilities

- 100% of the sites respect the "zero phytosanitary products[(1)]" commitment for the maintenance of green spaces.
- 100% of the sites have implemented a biodiversity management plan adapted to local issues.

Commitments expressed in 2018 that could not be met in 2020 have been carried forward into the 2030 roadmap:

- By the end of 2021, 80% of the Group's sourced natural rubber volumes have been mapped with Rubberway.
- By the end of 2022, 100% of the plantations in which Michelin owns an equity interest comply with the Sustainable *Natural Rubber Policy*.

4.1.4.4 d) Preserving biodiversity around Group manufacturing and research facilities

Systematically identifying nearby protected areas

In 2013, the Group's production plants and research facilities conducted an initial survey to **identify nearby areas classified as protected** under supranational, national or local legislation. In 2018, the facilities performed the update recommended every five years, which showed a total of 196 protected areas within a radius of five kilometers of each one. When the updated data was analyzed with regard to the GRI 304-1[(2)] indicator, it showed that 28 facilities in eight countries, representing a total surface area of 6,600 hectares, are located less than a kilometer from one or more protected areas.

These findings have been integrated into each facility's environmental risk analysis and management plans have been revamped or deployed at the eight plants that had identified areas at risk of pollution.

Local initiatives designed to address local issues

Ladoux, France

In July 2011, an agreement was signed with the Auvergne Regional Nature Conservancy to ensure protection of a 3.5-hectare area containing continental salt meadows on the grounds of the Ladoux Technology Center. Extremely rare in Europe, this type of habitat is home to protected maritime species in the Auvergne region (such as the sea plantain and *Juncus gerardii* black grass) and has been designated as a priority for conservation.

In addition, the Natura'Ladoux non-profit organization, which was founded in 2016 and has 45 members, is leading a wide range of local preservation programs, for example, to vary mowing patterns to protect orchids, build nest boxes and bird tables for passerines and perform site development studies. It also organizes activities to raise employee awareness of the site's biodiversity and ecosystem, including birdsong recognition classes and observation walks.

In 2019, the Ladoux site commissioned France's National Center for Scientific Research (CNRS) to assess the risks of test vehicles colliding with the crows and other birds that are sometimes found on the test tracks. Based on the findings, recommendations were issued to reduce the risks of collision while protecting the birds, for example by using repellents only when necessary.

In 2020, for the first time, the cropland used as testing grounds for agricultural tires, which had been left fallow for several months, was rehabilitated using only farm machinery, without any pesticides.

Groundskeeping in France

In 2020, a study conducted with groundskeeping contractors at the Group's production plants and research centers in France demonstrated the feasibility of forgoing pesticides and herbicides in maintaining site grounds. Use of these products has been banned since November 2020. If necessary, exemptions may be requested in each country from the local Environmental Manager, the only person authorized to grant them. This will help to identify any possible obstacles to extending the practice to other host countries.

The Michelin Ecological Reserve in Bahia, Brazil

Michelin created the 3,350-hectare Michelin Ecological Reserve (*Reserva Ecológica Michelin* - REM) in Bahia Brazil in 2005 to preserve one of the world's most species-rich tropical rainforests, in a region suffering from widespread deforestation and environmental degradation.

To protect the Reserve from hunters, forest rangers were hired to conduct regular day and night patrols, which have reduced hunting by 84% allowing wildlife abundances to increase to 117%. Certain species critically threatened with extinction, such as the yellow-breasted capuchin monkey *(Sapajus xanthosternos)* and the red-billed curassow *(Crax blumenbachii)*, now thrive in the REM, which has become essential for their long-term survival.

Every year, more than 100 scientists are supported by the REM research program, which has funded 112 environmental studies over the past 15 years, resulting in the publication of 117 scientific papers. Scientists have discovered 16 species new to science, five of which carry a variant of the Michelin name.

As part of the program launched in 2005 to restore deforested areas, REM has planted 107,000 trees spanning 275 species, enabling the forest to regain 300 hectares. The Reserve also protects the 61-meter high Pandaca Grande waterfalls, which are visited by more than 80,000 tourists a year.

The REM educational outreach program helps young people in neighboring communities increase their awareness of environmental issues and encourages them to seek sustainable solutions for their communities.

Today, REM is one of the best-protected areas of the Atlantic Forest, which is one of the most species-rich biomes in the world. The Reserve has also demonstrated that it is possible to produce natural rubber while preserving biodiversity.

(1) Replacement of pesticides and fertilizers by mechanical methods combined with other alternative solutions.

(2) GRI 304-1: Operational sites owned, leased or managed in or adjacent to protected areas or areas of high biodiversity value outside protected areas.

Carmes, France

The Carmes complex, the Group's headquarters, has conducted a full biodiversity inventory, including plants, fish, bats, birds, mammals, reptiles, amphibians and insects. The comprehensive study was conducted over a full year, so that all of the species could be identified during the flowering, breeding, nesting and other seasons.

In May 2019, for example, the local angling association came on-site to inventory the fish species found in the Tiretaine River, which flows through the headquarters complex, and counted more than 350 trout.

Full results of their survey were released in 2020 and are now being analyzed to define action plans and related metrics so that biodiversity can be tracked over time.

Shanghai and Shenyang, China

In China, the production facilities in Shanghai and Shenyang support biodiversity with annual activities, such as planting trees on the site and in the surrounding community.

In 2020, they organized their Sixth Annual Tree-planting Day, which resulted in the planting of 130 trees in Shenyang and 50 in Shanghai.

Davydovo, Russia

For the sixth straight year, Michelin's Davydovo plant supported the environmental protection programs led by the government of the Moscow region, where significant amounts of forest have been devastated by especially destructive fires and insect pests. In response, the Ministry of the Environment has defined an ambitious reforestation program, which employees from the Michelin facility are supporting.

Querétaro, Mexico

The facility in Querétaro, Mexico is participating in a conservation program for the elephant foot palm (*Beaucarnea recurvata*), a native Mexican species now threatened with extinction. The facility is home to three plants, which have been registered with the federal environmental ministry, SEMARNAT.

The environmental impact of digital technology

In response to the Managing Chairman’s commitment that “tomorrow, everything will be sustainable at Michelin,” and to the expectations of a growing number of employees and other stakeholders, a “Sustainable Digital” working group was created in mid-2019. It brings together representatives from the Purchasing, Communication, Corporate & Business Services, Sustainable Development & Mobility, Digital, Environment & Prevention, IT, Manufacturing, Research & Development and Services & Solutions departments.

In 2019, a detailed survey enabled us to estimate the energy and carbon footprints of our digital activities worldwide, over their entire life cycle, both within the Group and externally (Scope 3). With these figures, we were then able to identify the areas with the most impact and define our priorities for action.

A range of initiatives are now being deployed, concerning such issues as the hardware and devices used by employees, operating conditions in the internal data centers, and our suppliers. Various digital projects were analyzed to determine their contribution to the three People-Planet-Profit bottom lines.

To address individual behavior and practices, the concept of “digital sobriety” was a major theme of the Digital Week 2020 event organized for Group employees.

Valuing our environmental externalities

In 2020, Michelin initiated an exercise to place a monetary value on its environmental impacts, starting with the ones addressed by commitments to the planet.

Undertaken as part of the "All Sustainable" vision, the exercise is designed to facilitate the representation of environmental issues, enhance transparency with stakeholders and provide a valuation method for use in assessing the performance of Group units or during acquisitions.

The initial valuation, whose methodology is described below, was performed on the basis of volumes in 2019, which was chosen as a baseline because it was the last year before the health crisis.

These volumes are as follows:

- Total tonnes of CO_2 emissions in Scopes 1 and 2, as described in section 4.1.4.3 c).
- Total tonnes of CO_2 emissions in part of Scope 3, covering the upstream and downstream transportation and distribution of natural rubber, semi-finished products and finished products (see section 4.1.4.3 i)).
- Total tonnes used of organic solvents generating volatile organic compounds (VOC) (see section 4.1.4.3 d)).
- Total cubic meters of water withdrawn, both used and discharged. (see section 4.1.4.3 f)).

The production facilities covered by the valuation are the same as in the scope of reporting for the environmental indicators, as described in the section on methodology above.

The valuation method used is based on the OECD definition of valuing avoidance costs, with input from ISO 14007: Environmental management – Guidelines for determining environmental costs and benefits and ISO 14008: Monetary valuation of environmental impacts and related environmental aspects.

It is based on determining the euro cost, per tonne or cubic meter of reduction, of the solutions implemented or scheduled to be implemented to reduce emissions, use or withdrawals of the selected externalities. The value of these externalities is then calculated by applying the unit cost to the total volume of current emissions, use or withdrawals.

The cost calculations for the solution always include the necessary capital expenditure. They also include operating costs when (i) in the case of VOC emissions, additional consumables must be purchased after VOC-generating solvents are replaced by aqueous solutions; and (ii) in the case of water withdrawals, additional treatment products must be purchased when waste water or effluent is reused.

This valuation method is limited by the fact that it is based on the cost of eliminating volumes that are reducible using known solutions. There remains the unknown cost of disposing of the residual volumes, whose disposal generally costs the most or requires technologies that do not yet exist and whose cost is unknown (and which could cost more or less than existing technologies).

To offset this limitation, which could cause us to underestimate the cost of negative externalities, the following conservative approaches have been factored into the calculation method:

- We considered that the solutions implemented or scheduled to be implemented would reduce the amounts emitted, used or withdrawn over 12 years, i.e., the depreciation period for the corresponding purchased equipment, even though this is often much shorter than historically observed life spans, which can extend to several decades (e.g., tire curing presses or steam-generating boilers whose longer service lives are used to value CO_2 emissions).
- We increased the cost of certain capital expenditure outlays (e.g., by 20% when valuing water withdrawals).
- We systematically cross-checked our calculations against outside benchmarks to confirm that the unit externality costs determined by our generic method ranked at the top of the range calculated according to these outside methods, which was confirmed for CO_2 and for water. In the case of VOC emissions, this led us to use the outside benchmarks, which resulted in a higher value than our calculation.

The outside benchmarks used for cross-checking were as follows:

- CO_2: we compared the calculated cost to the prices applied by leading corporations in their internal carbon fees, as well as the price indicated in Delft University's *Environmental Prices Handbook 2017* (Environmental prices for average atmospheric emissions in the Netherlands – "central" carbon dioxide price).
- VOCs: we compared the calculated cost to the price indicated in Delft University's Environmental Prices Handbook 2017 (Environmental prices for average atmospheric emissions in the Netherlands – "central" volatile organic compounds price).
- WATER: we compared the calculated cost to what it would have been had we applied the three methods used by 19 companies that answered yes to the question "Does your company use an internal price on water?" on the CDP 2020 *Water Security* questionnaire and were attributed an A (18 companies) or A- (1) score.

We will reassess this approach for subsequent reporting periods based on changes in method or scope.

4.1.5 SUMMARY TABLE OF EMPLOYEE DATA

Ambitions for 2020 scope of reporting (Group units excluding the dealership networks and recently acquired companies.)

	2020	2019	2018	2017	2016	GRI Indicator
Employees on payroll at December 31* *(consolidated companies, under any form of work contract, excluding temp agency workers)*	**123,642**	**127,187**	**117,393**	114,069	111,708	GRI 102-7
Full-time equivalent employees at December 31* *(consolidated companies, excluding interns, apprentices, work-study trainees and temp agency workers)*	**117,454**	121,339	111,117	107,807	105,654	GRI 102-7
Employees by gender *(employees on payroll, under any form of work contract, excluding temp agency workers and the dealership networks)*						
Men	80.9%	81.4%	81.9%	82.5%	82.9%	
Women	19.1%	18.6%	18.1%	17.5%	17.1%	GRI 102-8
Employees by category *(employees on payroll, under any form of work contract, excluding temp agency workers and the dealership networks)*						
Production operators	61.3%	61.2%	61.8%	62.2%	61.9%	
Administrative and technical staff and supervisors	29.1%	29.3%	29.5%	29.4%	29.9%	
Managers**	9.6%	9.4%	8.7%	8.4%	8.2%	GRI 102-8
Employees by age *(employees on payroll, under any form of work contract, excluding temp agency workers and the dealership networks)*						
24 and under	5.5%	5.6%	5.9%	5.8%	5.3%	
25-34	25.8%	26.2%	26.3%	26.3%	26.6%	
35-44	30.8%	30.2%	29.9%	29.4%	29.1%	
45-54	24.9%	24.3%	23.4%	23.0%	22.6%	
55-64	12.4%	13.1%	14.0%	15.1%	15.9%	
Over 65	0.5%	0.5%	0.5%	0.4%	0.5%	
Employees by length of service *(full-time equivalent employees, as a %)*						
Less than 2 years	12.7%	14.3%	15.5%	15.2%	21.5%	
3-5 years	16.6%	15.4%	14.5%	13.8%	14.4%	
6-10 years	19.3%	19.7%	17.5%	17.9%	15.1%	
11-15 years	13.8%	12.5%	14.28%	13.8%	13.6%	
16-20 years	12.1%	11.9%	11.6%	13.1%	10.8%	
More than 20 years	25.6%	26.2%	26.8%	26.1%	24.5%	
Employee movements *(permanent work contracts)*						
New hires	5,116	7,023	7,957	7,553	6,456	
Resignations	3,500	4,346	3,378	2,682	2,185	
Dismissals and terminations by mutual agreement	1,911	1,756	2,624	2,524	2,364	
Retirement	2,341	2,357	2,484	2,077	1,871	
Death	114	103	97	120	99	
Attrition rate *(excluding retirements and excluding the dealership networks and recently acquired companies)*	6.2%	6.9%	6.8%	5.9%	5.2%	
Contract employees *(excluding temp agency workers, as a %)*	4.0%	4.2%	4.7%	5.2%	4.4%	
Part-time contracts	3.0%	3.6%	3.6%	4.4%	3.6%	
Training hours *(employees on payroll, under any form of work contract, excluding temp agency workers)*						
Percentage of training hours per total hours worked	2.0%	2.9%	3.1%	3.2%	3.3%	
% of employees who received training during the year	93%	98%	97%	85%	93%	
Number of hours of training per employee per year	34	49	53	54	56	GRI 404-1
Total training hours *(excluding temp agency workers and the dealership networks)*	3,104,429	4,585,897	5,008,971	5,107,806	5,300,000	

	2020	2019	2018	2017	2016	GRI Indicator
Occupational accidents *(including the dealership networks; excluding recently acquired companies, excluding temp agency workers)*						
Number of lost-time incidents, Group-wide	528	648	704	725	796	GRI 403-2
Serious accident frequency rate (TA+)	0.7	0.7				
TCIR Michelin Group, excluding Euromaster and recently acquired companies	0.9	1.1	1.3	1.5	1.6	GRI 403-2
TCIR entire Group	1.2	1.4	1.9	2.1	2.5	
Diversities *(employees on payroll, under any form of work contract, excluding temp agency workers)*						GRI 405-1
Percentage of women in extended management(1)	28.2%	27.4%	26.8%	25.7%	24.8%	
Percentage of local top managers in growth-region countries	79%	75%	75%	74%	72%	GRI 405-1 GRI 202-2
Percentage of management positions held by employees promoted or transferred from within	74%	74%	76%	76%	76%	
Employee engagement rate	83%	81%	80%	80%	80%	
Number of Progress Ideas	50,131	61,825	62,802	59,082	59,601	

* *Scope of reporting: entire Group and its subsidiaries, including the dealership networks and recently acquired companies.*
** *Employees with a level of individual responsibility of A to K, according to the Hay method used by the Group.*
(1) *Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.*

4.1.6 2013-2020 AMBITIONS

To drive continuous improvement in its performance, in 2013 Michelin defined six categories of ambitious, measurable objectives for 2020, five of which related to non-financial aspects.

The performance delivered in each of the non-financial Ambitions for 2020 is presented below, with cross-reference to the corresponding sections in this report.

When appropriate, performance for the year is analyzed in light of the very significant impact of the Covid-19 pandemic on business activity in 2020.

Ambition 1/ Continuously improve customer satisfaction

100% of targeted customer groups deliver Net Promoter Scores (NPSs) in line with the Group's objective

Net Promoter Score® (NPS®) has been chosen as an indicator to measure customer satisfaction and, if needed, to take corrective action to improve it.

2020 was a year of unprecedented complexity, due to the Covid-19 pandemic, the uneven geography and pace of its spread around the world, the resulting lockdowns, curfews and other responses, and their subsequent impact on output and demand. In markets buffeted by erratic swings in demand, it was very difficult to adjust production plans. In turn, this impacted product availability and with it the satisfaction of a portion of the customer base. Nevertheless, the NPS rose during the year, reflecting, in large part, the immense efforts that everyone across the Group made, in every region of the world, to support customers during the health crisis.

In all, 76% of the clusters were on target in 2020, representing an improvement on the 67% reported in 2019, but still short of the very ambitious target set by the Group.

For 2030, the Group set itself a goal to improve by 10 points the NPS among partners and by 5 points the NPS among end-customers.

(See section 4.1.1.1 Guaranteeing the quality of our products and services/Michelin Quality)

Ambition 2/ Demonstrate our commitment to the well-being and development of our employees

Health & Safety: TCIR of 2 or less

The primary safety indicator in our Ambitions for 2020 is the Total Case Incident Rate (TCIR), which stood at 1.2 in 2020, well below the targeted 2 after steadily improving year after year.

Today, the Group's objective is to push the TCIR to below 0.75 in 2025 and below 0.5 in 2030 (including temp agency workers).

(See section 4.1.3.2 c) Measuring and tracking occupational accidents)

85% of employees engaged

Distributed to employees for the past eight years, the "Moving Forward Together: Your Voice for Action" survey measures employee engagement, an important vector of operational excellence. From 72% in 2013, the engagement rate stood at 83% in 2020, just two points short of the target.

For 2030, the Group maintains its commitment to reach an employee engagement rate of 85%.

(See section 4.1.2.3 a) An assertive social dialogue process/ Listening to employees via the annual engagement survey)

75% of managers promoted from within

Over the years, the percentage of managers promoted from within has stayed within a narrow band, ranging from 73% (in 2014) to 76% (in 2016). In 2020, it came very close to the target, at 74%.

For 2030, the Group set itself an objective of 80% of managers promoted from within.

(See section 4.1.2.4 b) Employer attractiveness, promoting from within, team succession plans)

30% of managers and supervisors are women

The percentage of women in manufacturing jobs is structurally low. The Group's objective was to have women account for 30% of all managers and supervisors by 2020. From 23.5% in 2014, it has steadily risen over the years, to stand at 28.2% in 2020.

Building on the insights learned from the many action plans deployed since 2013, the Group is raising its target so that women account for 35% of all managers and supervisors by 2030.

(See section 4.1.2.2 c) Making all positions accessible to women and ensuring gender wage parity)

80% of top managers in the growth regions were born there

To ensure that the positive externalities of its business are shared, Michelin's objective was for 80% of top management in its growth regions to be locals.

The rate has risen sharply, from 65% in 2014 to 79% in 2020, or just one point shy of the target.

Michelin reformulated its objective for 2030 which is for 80% of top managers (from A to I) in each region to be locals.

(See section 4.1.2.2 e) Ensuring fairness and equal opportunity regardless of social, cultural and ethnic difference)

Ambition 4/ Innovate to widen our lead in product and service performance

Improve the overall performance of our products by at least 10% compared with 2010, while using less raw materials in their production

The objective was amply met in 2020, with a total 11.6% improvement over the period.

(See section 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Reducing the amount of energy associated with tires in use)

Save 3 billion liters of fuel over the lifespan of our tires, thereby reducing CO_2 emissions by more than 8 million tonnes compared with 2010

When compared with 2010, improvements in the rolling resistance of Passenger car, Light truck and Truck tires sold by the Group in 2020 have saved the equivalent of 2.7 billion liters of fuel over their useful lives, thereby avoiding the release of more than 6.9 million tonnes of CO_2. In 2020, however, the impact of the Covid-19 crisis on sales in these product segments meant that the fuel savings and emissions reduction targets were not met during the year.

Contribute to the development of a circular economy by increasing the percentage of renewable or recycled materials in our tires to 30%

The Sustainable Materials Index stood at 28% in 2020, an improvement on 2018 and 2019. However, the difficulty in deploying levers for action, such as the use of certain technologies or traceability in certain supply chains, made meeting the 2020 target a challenge.

For 2030, the Group's Sustainable Materials Index target is 40%.

(See section 4.1.4.2 Attenuating the environmental impact of products and services)

Ambition 5/ Set the industry standard for responsible manufacturing

Reduce the environmental impact of our sites, as measured by the Michelin Environmental Footprint (MEF) indicator, by 50%, notably by improving our energy efficiency by 38% in relation to 2005

The targeted 50% reduction was met by 2018. In 2020, despite the unusual circumstances, the MEF had declined by a total of 51.1% since 2005, confirming the robust progress made since then and the success of the environmental performance management process initiated when the indicator was introduced that year.

Nevertheless, the 2020 energy performance was severely impacted by the Covid-19 crisis, with tire production volumes declining by 16.2% over the year and making it difficult to reach the performance levels expressed as a ratio. Energy consumed per tonne of finished product was down 28.9% compared to 2005.

The Group is committed to reducing the footprint of its production plants by one third in 2030 compared with 2020[(1)].

(See section 4.1.4.3 b) Reducing the environmental footprint of the production plants)

Develop a responsible supply chain and reduce its CO_2 emissions by 10% compared with 2010

The 2020 objective was met in 2019, when the total reduction in CO_2 emissions from the supply chain since 2010 came to 10.27%. In line with the commitments made to the Science Based Targets initiative (SBTi) for Scope 3 emissions, a new objective has been set: to reduce CO_2 emissions in absolute terms (tonnes) by 15% in 2030 compared to 2018.

(See section 4.1.4.3 i) Sustainable supply chain operations)

Ambition 6/ Contribute to the development of our host communities and support sustainable mobility

Despite the restrictions imposed by the health crisis, the Group and its teams around the world once again demonstrated their commitment to social responsibility by responding agilely and effectively to conditions, requirements and needs in their host communities.

In 2020, social engagement and outreach were largely redirected towards a vast array of local initiatives to ease the impact of the pandemic, ranging from financial support (in China) to donations of products and services. At Group level, in addition to the five million masks produced for employees, around three million masks were produced and donated to local health authorities or emergency services in our host countries. Similarly, to support research and health organizations, Michelin leveraged its manufacturing and 3D modeling/printing facilities, as well as its process engineering and project management expertise, to participate in a wide range of helpful projects to produce reusable masks, next-generation ventilators, polycarbonate face shields and air cushion kits.

100% of Michelin sites are deploying a community involvement program, in line with the guidelines

All of the Group's facilities have gradually deployed the guidelines and practices recommended in the Group's community engagement programs.

Dedicate 30,000 work days per year to local communities

After hitting the objective in 2016, performance remained over-target until 2020. The Covid-19 pandemic severely limited the possibility of interacting with local communities in this way and the number of work days dedicated to them fell to 13,000 in 2020. However, the decline was offset by a significant increase in donations and financial support to these same communities, which totaled more than €9.3 million for the year.

(See section 4.1.2.5 c) Participating harmoniously in local community life through our employees)

Create 2,000 local jobs per year with the support of Michelin Development

Generally speaking, business support and jobs creation programs were adversely impacted by the Covid-19 pandemic in two ways in 2020. First, companies were forced to cut back on capital spending, which meant that there were fewer opportunities for business development, and second, the financial support offered by governments, often in the form of very low interest loans, limited the attraction of the similar programs traditionally offered by Michelin Development. Nevertheless, Michelin Development helped to create 1,245 jobs during the year, and some 11,500 jobs in total between 2013 and 2020.

(See section 4.1.2.5 b) Creating local jobs and businesses with Michelin Development)

Reinforce our advocacy of road safety, with a strong focus on driver education in emerging countries

In 2020, the Group digitized most of its road safety and awareness-raising actions. For example, in Argentina, Michelin received the Argentine CSR distinction Award for creating *CarDriverXP*, an online driving simulation video game, that was deployed to a target audience of more than 7 million people. In China (Beijing and Shanghai) the *Safe Roads, Safe Kids* campaign already generated more than 8.5 million views and Michelin received two distinctions and one prize for it. In Thailand, 1,500 helmets were distributed to children as part of the creation of an online app promoting road safety.

(See section 4.1.1.1 Guaranteeing the quality of our products and services/An active private-sector stakeholder in road safety partnerships)

(1) Because 2020 cannot be considered as representative of a normal operating environment, 2019 figures have been used to calculate the 2020 baseline.

4.2 NON-FINANCIAL INFORMATION STATEMENT

Non-Financial Information Statement disclosures, as stipulated in Articles L. 225-102-1[(1)] and R. 225-105 of the French Commercial Code, may be found in the sections listed in the concordance table below (4.2.2).

The business and value creation model is presented in section 1. It is illustrated by a summary diagram entitled "Our Growth and Value Creation Model" and its components are described throughout the section.

All of the other Statement disclosures have been included in the Sustainable Development and Mobility Report (4.1).

4.2.1 IDENTIFICATION OF THE MAIN RISKS

To define and manage its main social responsibility issues, the Group has prepared a materiality matrix (see page 151 section 4.1 Sustainable Development and Mobility Report/Introduction – Michelin Sustainable Development and Mobility/Challenges and Performance/Materiality matrix).

These issues represent not only potential risks, but also opportunities for growth and business development. For this reason, the materiality matrix is closely aligned with the risk map, according to the concordance table below, with updates to one resulting in changes in the other. Consequently, the materiality matrix serves as the frame of reference in identifying the “main risks” that structure this Non-Financial Performance Statement, even though these issues are not expressed negatively as risks. For example, the matrix speaks of “diversity” whereas the risk map is concerned with “discrimination.” Moreover, unlike the risk map, the materiality matrix also incorporates the perception of Michelin stakeholders.

The method of identifying risks and the systems for managing them are described in section 2, Risk Management. The main CSR risk families and the guidelines for managing them are indicated in the introduction to each section of the Sustainable Development and Mobility Report, according to the methodology for preparing the materiality matrix (below) and the definitions of the Group's risk factors. They have also been audited by the Internal Control Department. The risks mentioned in section 4 are "operational" risks, that have been classified as level 1 (high) or level 2 (low), depending on their criticality. Policies and due diligence procedures are presented in extensive detail following these introductions, in particular to express the Group's sustainable development strategy quantitatively, qualitatively, transparently and in a manner comparable with reports from years prior.

The performance indicators for each of the main risks are mostly derived from the six Ambitions for 2020 (section 1, pages 42 and 43) which help to track the Group's responsible performance. Means indicators have also been defined for the main opportunities. For each of the main risks, an essential indicator has been highlighted in the table of concordance to the Non-Financial Information Statement. In the interests of transparency and materiality, however, other indicators have been presented alongside the deployed policies, depending on the issues addressed.

(1) Information on (i) the impact that the Company's business operations and the use of its products and services may have on climate change; (ii) the Company's social commitments to supporting sustainable development and the circular economy, reducing food waste and combating food insecurity, respecting animal welfare and responsible, fair, sustainable food systems; (iii) the collective agreements signed in the Company and their impact on business performance and working conditions; (iv) initiatives to prevent discrimination and promote diversity; (v) measures taken in favor of the disabled; and (vi) the impact of the Company’s business on respect for human rights and the fight against corruption and tax evasion.

4.2.2 TABLE OF CONCORDANCE

TABLE OF CONCORDANCE TO THE NON-FINANCIAL INFORMATION STATEMENT

Business and Value Creation Model		
Our purpose: "Offering everyone a better way forward."	Profile / Motion for life	p. 2
Scope, organization and main resources	Profile / A global footprint	p. 3
	Michelin's "All Sustainable" vision	p. 14
	Governance	p. 32-39
Business and value creation model (diagram)	Our growth and value creation model	p. 18
Core businesses, operational excellence and 2020 outcomes	Four areas of growth	p. 20-30
Innovation and differentiation	Heritage: pioneering, sustainable, innovative, resilient for 132 years	p. 4-5
2020 financial and operating highlights	Financial performance	p. 40
	Non-financial performance	p. 41
	Ambitions 2020 outcomes	p. 42
	The Michelin share	p. 45
Challenges, strategy and outlook	Interview with Florent Menegaux, Managing Chairman	p. 6
	Tire trendsand issues	p. 12
	Outlook	p. 46

Managing the Social and Environmental Impact of our Business Operations

			4.1 Sustainable Development and Mobility Report		
No.	**Materiality Matrix**	**Risk Family/ Risk Factor**	**Description**	**Policies, Due Diligence and Outcomes**	**Key Performance Indicators and Objectives/ Key outcomes (Ambition 2020, pages 41-42 and 233)**
	ETHICS AND COMPLIANCE				
5	**The safety of users of Michelin products and services**	The safety and performance of products and services	4.1.1.1 Guaranteeing the quality of our products and services – Risks related to the safety and performance of products and services	4.1.1.1 Guaranteeing the quality of our products and services	**Percentage of targeted customer groups delivering NPSs in line with the Group's 100% objective** 4.1.1.1 Guaranteeing the quality of our products and services
6	**High-performance, competitive, responsible products and services**	The safety and performance of products and services	4.1.1.1 Guaranteeing the quality of our products and services – Risks related to the safety and performance of products and services	4.1.1.1 Guaranteeing the quality of our products and services	
7	**Business ethics**	Ethics	4.1.1.2 Ensuring ethical business practices – Risk of ethics violations	4.1.1.2 Ensuring ethical business practices a) Establishing a global ethical framework b) Taking a firm stand against corruption c) Responsible tax management d) Protecting employee privacy and personal data	Types of calls to the ethics hotline 4.1.1.2 a) Establishing a global ethical framework/Whistleblowing controls and procedures A performance indicator to track the Group's anti-corruption policies is currently being introduced and will be presented in the 2021 Universal Registration Document.
8	**Responsible purchasing**	Supplier ethics and CSR	4.1.1.3 b) Risk identification and levers for action	4.1.1.3 Demonstrating our social commitments through responsible procurement policies a) Governance and organization b) Risk identification and levers for action c) A dedicated approach for natural rubber	**Percentage of suppliers assessed by EcoVadis that are confirmed as compliant - Objective: 70%** 4.1.1.3 b) Risk identification and levers for action/Supplier assessments

	HUMAN RIGHTS				
9	**Respecting human rights and duty of care**	Managing Social Cohesion, People and Human Rights/ Failure to uphold our human rights commitments	4.1.2.1 b) Risks and prevention measures	4.1.2.1 Ensuring respect for human rights 4.1.1.3 c) A dedicated approach for natural rubber/ Assessing stakeholders across the supply chain	**Total Case Incident Rate (TCIR)** **Percentage of women managers and supervisors** **Employee engagement rate** **Percentage of suppliers assessed by EcoVadis that are confirmed as compliant**
10	**Diversity of teams**	Managing Social Cohesion, People and Human Rights/ Discrimination and harassment	4.1.2.2 b) Programs and tools to attenuate the risk of discrimination/Risk of discrimination	4.1.2.2 Instilling an inclusive culture of diversities and preventing discrimination	**Increase the percentage of women in management and supervisory positions to 30%** 4.1.2.2 c) Making all positions accessible to women and ensuring gender wage parity
11	**Staff development**	Managing Social Cohesion, People and Human Rights/ Employee skills mismatch; lack of attractiveness	4.1.2.4 Supporting employee growth and development/ Managing Social Cohesion, People and Human Rights – Level 2 risk/Risk factors	4.1.2.4 Supporting employee growth and development 4.1.2.3 Promoting responsible social dialogue	**Achieve and maintain an 85% employee engagement rate** 4.1.2.3 a) An assertive social dialogue process/Listening to employees via the annual engagement survey **Percentage of training hours per total hours worked** 4.1.2.4 e) Enhancing skills through training **Ensure that 75% of management positions are held by employees promoted from within** 4.1.5 Summary table of 2021 employee data
	EMPLOYEE HEALTH AND SAFETY				
16	**Health and well-being of staff**	Health and safety of staff and others in the workplace	4.1.3 Employee health and safety/Risks related to the health and safety of employees and others in the workplace – Level 1 risk/Risk factors	4.1.3.2 Assessing and Preventing Workplace Safety and Security Risks 4.1.2.3 Promoting responsible social dialogue	**Achieve a total case incident rate (TCIR) of less than 2** 4.1.3.2 c) Measuring and tracking occupational accidents **Achieve and maintain an 85% employee engagement rate** 4.1.2.3 a) An assertive social dialogue process/Listening to employees via the annual engagement survey

ENVIRONMENT AND CLIMATE CHANGE

19	**Energy transition and carbon reduction**	Environment/Air pollution and releases	2.1 Risk factors specific to Michelin, description and related management systems/Risk 1 – Environmental policy misaligned with stakeholder expectations/Financial risks associated with climate change and the low-carbon strategy. 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition	4.1.4.1 Helping to mitigate climate change 4.1.4.2 Attenuating the environmental impact of products and services	**Improve the Michelin Total Performance (MTP) index by at least 10%** 4.1.4.2 Attenuating the environmental impact of products and services
				4.1.4.3 c) Reducing energy use and greenhouse gas emissions	**Reduce the environmental impact of our sites, as measured by the Michelin Environmental Footprint (MEF) indicator, by 50%, notably by improving our energy efficiency by 38% in relation to 2005** 4.1.4.3 b) Reducing the environmental footprint of the production plants 4.1.4.3 c) Reducing energy use and greenhouse gas emissions
20	**Eco-design of our products and services**	Environment/Air pollution and releases; pollution from the disposal of end-of-life tires; pollution from tire and road wear particles (TRWP)	4.1.4.2 Attenuating the environmental impact of products and services – Environmental risks from the use of products 4.1.1.1 Guaranteeing the quality of our products and services – Risks related to the safety and performance of products and services	4.1.4.2 Attenuating the environmental impact of products and services	**1) Improve the Michelin Total Performance (MTP) index by at least 10%** 4.1.4.2 Attenuating the environmental impact of products and services **2) Contribute to the development of a circular economy by using** **30% renewable or recycled materials in making our tires (according to the Average Sustainable Materials Rate index)** 4.1.4.2 a) Integrating eco-design principles and wider use of life cycle assessments
				4.1.1.1 Guaranteeing the quality of our products and services	**Percentage of targeted customer groups delivering NPSs in line with the Group's 100% objective** 4.1.1.1 Guaranteeing the quality of our products and services
21	**Sustainable, responsible operations**	Environment/Air pollution and releases; soil pollution and environmental liabilities; overuse of water and water pollution; pollution released during product shipment	4.1.4.3 Reducing the environmental footprint of our manufacturing and supply chain operations – Risks related to production and logistics operations	4.1.4.3 Reducing the Environmental Footprint of our Manufacturing and Supply Chain Operations	**1) Reduce the environmental impact of our sites, as measured by the Michelin Environmental Footprint (MEF) indicator, by 50%, notably by improving our energy efficiency by 38% in relation to 2005** 4.1.4.3 b) Reducing the environmental footprint of the production plants **2) Reduce CO_2 emissions in the supply chain by 10% compared with 2010** 4.1.4.3 i) Sustainable logistics operations

Impact of the Group's Business Operations	
▶ on respect for human rights	4.1.2.1 Ensuring respect for human rights 4.1.1.3 Demonstrating our social commitments through responsible procurement policies
▶ on the fight against corruption	4.1.1.2 b) Taking a firm stand against corruption
▶ on the fight against tax evasion	4.1.1.2 c) Responsible tax management
Impacts on Climate Change	
▶ of the Company's business operations	4.1.4.1 Helping to mitigate climate change 4.1.4.3 c) Reducing energy use and greenhouse gas emissions 4.1.4.3 i) Sustainable supply chain operations
▶ of the use of its products and services	4.1.1.1 Guaranteeing the quality of our products and services 4.1.4.2 Attenuating the environmental impact of products and services
Social commitments to supporting	
▶ sustainable development ***Materiality Matrix: No. 12, 13 and 14***	4.1.4.4 Supporting biodiversity 4.1.2.5 Encouraging employee and corporate engagement in local communities
▶ the circular economy	4.1.4.2 a) A more effective eco-design process and wider use of life cycle assessments 4.1.4.2 b) The Michelin 4R strategy for a circular economy
▶ initiatives to reduce food waste	Given the nature of the Michelin Group's manufacturing operations, this information does not correspond to a major risk. However, related initiatives are being undertaken by the Group's food service providers at the local level. In addition, as part of its Maps & Guides business, Michelin has created the Sustainable Gastronomy distinction, which was awarded for the first time in 2019. The Group intends to use the distinction to draw attention to initiatives taken by chefs to support balanced regional development as well as natural resource conservation. These chefs encourage sustainable development through their practices, such as locavorism (eating better, locally), energy efficiency, sourcing from responsible, organic farms, sustainable fishing and a commitment to zero waste.
▶ initiatives to combat food insecurity	Given the nature of the Michelin Group's manufacturing operations, this information does not correspond to a major risk.
▶ responsible, fair, sustainable food choices	Given the nature of the Michelin Group's manufacturing operations, this information does not correspond to a major risk.
▶ animal rights and welfare	Given the nature of the Michelin Group's manufacturing operations, this information does not correspond to a major risk.
Information on collective bargaining agreements signed in the Company and their impact on business performance and employee working conditions.	
	Since these issues do not represent a major risk, they are not discussed in this report.
Initiatives to prevent discrimination and promote diversity, and measures taken in favor of the disabled	
	4.1.2.2 Instilling an inclusive culture of diversities and preventing discrimination

4.2.3 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT INCLUDED IN THE MANAGEMENT REPORT

For the year ended December 31, 2020

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Compagnie Générale des Établissements Michelin (hereinafter the "entity"), appointed as an independent third party and certified by Cofrac (Cofrac Inspection certification no. 3-1060, whose scope is available at www.cofrac.fr), we hereby report to you on the consolidated non-financial information statement for the year ended December 31, 2020 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Managing Chairman is responsible for preparing the Statement, which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and are available on request from the entity's head office.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with Article R. 225-105 I, 3 and II, 3 of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional standards applicable in France to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the labor and environmental risks associated with their activities, and the impact of those risks on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L. 225-102-1-III, as well as information specified in the second paragraph of Article L. 22-10-36 regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement includes an explanation for the absence of the information required under Article L. 225-102-1 III, 2;

- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as its their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under Article R. 225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with Article L. 233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative results that we considered to be the most important (see the list provided in the appendix), we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities, i.e., Bad Kreuznach and Euromaster Germany (Germany), Campo Grande (Brazil), Shanghai TME (China), Greenville and Waterville (United States), Euromaster France and Montceau-les-Mines (France), Nyiregyhaza (Hungary), Olsztyn (Poland), Nongkae (Thailand), Michelin Espagne Portugal (MEPSA), and cover between 17% and 54% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important (see the list provided in the appendix);
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.
- We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of seven persons between September 2020 and February 2021 and lasted around 15 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about 20 interviews with the people responsible for preparing the Statement, representing the administration and finance, risk management, compliance, human resources, health and safety, environmental and purchasing departments.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the consolidated non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly and in accordance with the Guidelines.

Comments

Without qualifying our conclusion and in accordance with Article A. 225-3 of the French Commercial Code, we have the following comment: the anti-corruption-related outcomes presented do not identify the key performance indicator for the policies concerned.

Neuilly-sur-Seine, February 15, 2021

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Jean-Christophe Georghiou	Sylvain Lambert
Partner	Sustainable Development Partner

Appendix: List of the information we considered most important

Key performance indicators and other quantitative outcomes

- Total Case Incident Rate and Serious Accident Frequency Rate;
- MEF and its components (energy, water, volatile organic compounds, CO_2 (Scopes 1 and 2), waste);
- CO_2 emissions from logistics operations;
- Percentage improvement in the composite performance indicator;
- Percentage of renewable or recycled raw materials in our tires;
- Percentage of targeted customer groups delivering Net Promoter Scores in line with the Group's objective;
- Types of calls to the ethics hotline;
- Percentage of suppliers assessed by EcoVadis that are confirmed as compliant;
- Percentage of women managers and supervisors (level of individual responsibility of A to N, according to the Hay method used by the Group);
- Percentage of training hours per total hours worked;
- Percentage of local managers coming from the growth regions;
- Percentage of management positions held by employees promoted or transferred from within;
- Volume of natural rubber purchases assessed by a desktop review;
- The Group-wide employee engagement rate, as measured by the annual "Moving Forward Together" survey;
- Employee response rate to the "Moving Forward Together" survey.

Qualitative information (actions and outcomes)

- Diversities and inclusion: Women in Motion, Priority Neighborhoods, network;
- Rubberway;
- 4R Strategy and industry engagement, Federation;
- Human rights: support for the Global Compact, various initiatives in 2020;
- Michelin's new environmental policy;
- Initiatives to reduce energy use;
- Biodiversity.

4.3 DUTY OF CARE PLAN

4.3.1 METHODOLOGY

For the fourth year in a row, Michelin has prepared a Duty of Care Plan in compliance with Act 2017-399 of March 27, 2017. It describes all of the risks incurred by the Group and its main subcontractors as regards the environment, health & safety and human rights, along with the measures taken to prevent and mitigate them. For Michelin, the plan is a means to consolidate and strengthen its proactive approach to deploying risk prevention and management processes in these three areas, as well as an opportunity to deepen its due diligence with subcontractors as part of a continuous improvement process. The Duty of Care Plan is fully aligned with the Group's values and its commitment to conducting its business responsibly with regard to all its stakeholders. Michelin's corporate governance system includes a Sustainable Development and Mobility Committee, comprising every member of the Group Executive Committee as well as the Heads of the Legal Affairs, Purchasing, and Sustainable Development and Mobility Departments. It coordinates four governance bodies, dedicated to the Environment, Human Rights, Employees Health and Safety, as well as the Ethics Committee.

The plan expands on the information and initiatives already embedded in the Group's policies, which underpin its sustainable development commitment. These include the Michelin Performance and Responsibility Charter, the Code of Ethics, the Purchasing Principles, the Health Policy, the Environment and Prevention General Policy Note, the Employee Relations Policy and the Diversity and Workplace Equality Policy. It presents the relevant information disclosed by the Group in its Universal Registration Document, Statement of Non-Financial Performance and other annual reports. The Group has defined standards of compliance that meet and often exceed prevailing standards and legislation in its host countries. Even when local legislation is not as strict as its own, Michelin continues to require compliance with its highly demanding environmental, health & safety and human rights standards. With respect to international environmental and human rights standards, the Group has pledged to support the UN Global Compact and upholds the UN Guiding Principles on Business and Human Rights, the fundamental conventions of the International Labour Organization and the OECD Guidelines for Multinational Enterprises. These international standards also inform the Duty of Care Plan.

The plan is tracked and updated through a dedicated process, which was coordinated in 2020 by a Sustainable Development and Mobility Department working group comprising representatives from the Internal Control, Risk Management, Environment and Prevention, Purchasing, Legal Affairs and Employee Relations Departments. Each one provided input to expand and update the plan with the support of the Sustainable Development and Mobility Department.

The Duty of Care Plan is published in the URD in the form of a concordance table referring more broadly back to the issues addressed in the Sustainable Development and Mobility Report to avoid repetitions and redundancies and to facilitate comprehension. **A comprehensive, fully written, stand-alone Duty of Care Plan may be found on the Group's corporate website,** www.michelin.com.

4.3.2 TABLE OF CONCORDANCE

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
Environmental risks	**Presentation of environmental risks**				**p. 199**
	Presentation of risk factors related to the environmental impact of products				**p. 208**
	Presentation of environmental risk factors related to our production and supply chain operations				**p. 215**
	Climate change	**4.1.4.1 Helping to mitigate climate change** 4.1.4.1 a) Reducing the carbon footprint and managing the energy transition 4.1.4.3 b) Reducing the environmental footprint of the production plants 4.1.4.3 c) Reducing energy use and greenhouse gas emissions	Michelin Environmental Footprint (MEF)	Deployment and outcomes of carbon footprint targets for 2030 and 2050 on a pathway to carbon neutrality Deployment and outcomes of the reduction in carbon emissions in 2020	p. 200-207 p. 216-221
	Air and water pollution	**4.1.4.3. Reducing the environmental footprint of our manufacturing and supply chain operations** 4.1.4.3 b) Reducing the environmental footprint of the production plants 4.1.4.3 d) Reducing harmful air emissions 4.1.4.3 f) Reducing water withdrawals and effluent discharge	Michelin Environmental Footprint (MEF)	Improvement in MEF performance between 2019 and 2020, p. 217 Deployment and outcomes of the reduction in VOC emissions in 2020 Deployment and outcomes of the reduction in SO_x and NO_x emissions in 2020 Deployment and outcomes of the reduction in water withdrawals in 2020	p. 215-224
	Resource depletion	**4.1.4.2. Attenuating the environmental impact of products and services** 4.1.4.2 a) Integrating eco-design principles and wider use of life cycle assessments 4.1.4.2 b) The Michelin 4R strategy for a circular economy 4.1.4.2 c) Actively improving energy performance in the transportation industry 4.1.4.3 e) Reducing and managing waste	Michelin Environmental Footprint (water, energy) Percentage of renewable or recycled tire materials in our tires	Deployment and outcomes of the reduction in fossil fuel and water use in 2020 Deployment and outcomes of the use of renewable energy sources in 2020 Deployment and outcomes of the increase in the percentage of recyclable materials in 2020 Deployment and outcomes of Michelin 4R strategy in 2020 Deployment and outcomes of the reduction in waste in 2020	p. 208-215 p. 223

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
	Biodiversity	**4.1.4.4 Supporting biodiversity** 4.1.4.4 a) Michelin's individual commitments, 2018–2020 4.1.4.4 b) Update on the *act4nature* individual commitments 4.1.4.4 c) New *act4nature international* individual commitments 4.1.4.4 d) Preserving biodiversity around Group manufacturing and research facilities	Inventorying protected areas Initiatives under way in the production facilities	Tracking Michelin's commitments in 2020 Inventorying protected areas in 2020 Tracking local initiatives by Michelin facility in 2020	p. 226-231
Health and safety risks	**Presentation of risk factors related to the health and safety of employees and others in the workplace**				**p. 191**
	Occupational accidents	4.1.3.2 c) Measuring and tracking occupational accidents	Total Case Incident Rate (TCIR)	Measures introduced in 2020 to prevent occupational accidents	p. 196
	Chemical risks	4.1.3.1 c) Managing industrial hygiene risks to safeguard employee health	Product data sheets in the local language	Deployment and outcomes of the measures taken to manage chemical risks in 2020 Production facilities are entirely asbestos-free	p. 194
	Musculoskeletal (MSK) disorders	4.1.3.1 d) Improving production workstation ergonomics	Percentage of capital expenditure dedicated to ergonomic projects (Percentage of G8 and G10 workstations)	Deployment and outcomes of the measures taken to prevent ergonomic risks in Michelin production plants in 2020 Capital expenditure dedicated to ergonomic projects in 2020	p. 194
	Psychosocial risks	4.1.3.3 b) Quality of worklife: listening to needs and measuring performance 4.1.3.3 c) Psychosocial risks: adapting preventive measures to local cultures	The Group-wide employee engagement rate as measured by the annual "Moving Forward Together: Your Voice for Action" survey Employee response rate	Tracking the Moving Forward Together survey on this issue in 2020 Deployment and outcomes of the measures to prevent psychosocial risks in 2020	p. 198
	Covid-19 pandemic	4.1.3.1 Keeping people healthy/Responding to Covid-19 with an effective health protocol Chapter 1 / Covid-19 crisis: people helping people	Report of Covid cases at Group level by the RSSE Issues on the management of the crisis related to the pandemic in the annual survey "Moving Forward Together"	Approval of the health protocol through an external audit Monitoring the extent of the protocol deployment by the SE Group Steering Committee Tracking the "Moving Forward Together" survey and specific questions on this issue in 2020	p.193 p. 10

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
	Employee security	4.1.3.2 a) Managing workplace safety	Country risk map	Deployment and outcomes of the measures taken to prevent workplace safety risks	p. 195
Human rights risks	**Presentation of human rights risks**				**p. 173**
	Harassment and discrimination	**4.1.2.2 Instilling an inclusive culture of diversities and preventing discrimination** 4.1.2.2 b) Programs and tools to attenuate the risk of discrimination 4.1.2.2 c) Making all positions accessible to women and ensuring gender wage parity 4.1.2.2 d) Promoting employment for people with disabilities and retaining employees who become disabled 4.1.2.2 e) Ensuring fairness and equal opportunity regardless of social, cultural and ethnic differences	Percentage of women managers Gender wage gap Legally mandated percentage of disabled employees Percentage of local managers in countries outside France	Deployment and outcomes of measures to ensure gender equality in 2020 and encourage the hiring of women Deployment and outcomes of measures to hire and retain people with disabilities in 2020 Deployment and outcomes of measures to encourage cultural diversity among managers in 2020	p. 174-178
	Employee relations/Freedom of association	**4.1.2.3 Promoting responsible social dialogue** 4.1.2.3 a) An assertive social dialogue process 4.1.2.3 c) Transparency: information concerning redundancy plans, job retention initiatives and retraining, placement and support programs during the year **4.1.2.4 Supporting employee growth and development**	The Group-wide employee engagement rate as measured by the annual "Moving Forward Together: Your Voice for Action" survey	Deployment and outcomes of Michelin's Labor Relations Policy in 2020 Deployment and outcomes of the annual "Moving Forward Together" survey and employee engagement rate in 2020 Deployment and outcomes of employee support measures during plant closures from 2018 to 2020	p. 178-187
	Protecting employee privacy and personal data	4.1.1.2 d) Protecting employee privacy and personal data	Percentage of each type of ethics alerts	Deployment and outcomes of the ethics hotline and percentage of each type of alert in 2020	p. 164 p. 51 Cyber risks
	Corruption	4.1.1.2 b) Taking a firm stand against corruption	Percentage of corruption cases in alerts to the ethics hotline	Deployment and outcomes of the ethics hotline and percentage of each type of alert in 2020	p. 163

Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
	A decent wage	4.1.2.3 b) Offering fair compensation and benefits A decent wage		Comparative study on the decent wage in 2019 and 2020 in several countries in which the Group operates	p. 181
	Impact on local communities	4.1.2.5 f) Addressing the risk of potentially negative impacts of our business on local communities)		Drafting of guidelines for preventing risks to local communities	p. 191
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Risk family	Risks	Risk definition and prevention	Indicators	Implementation trackers	URD reference (page number)
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	CSR risks based on nature and purchasing category	**4.1.1.3 Demonstrating our social commitments through responsible procurement policies** 4.1.1.3 a) Governance and organization 4.1.1.3 b) Risk identification and levers for action CSR risk mapping for procurement Supplier assessments	Number of suppliers assessed by EcoVadis Percentage of suppliers assessed by EcoVadis that are confirmed as compliant	Deployment of the Michelin Purchasing Policies in 2020 Spending covered by EcoVadis assessments (based on procurement categories and countries at risk)	p. 164-169
Category management	*Raw materials procurement*	4.1.1.3 b) Risk identification and levers for action Identified risks Levers for action deployed: Dedicated Levers for Action in Certain Purchasing Categories	Number of suppliers assessed by EcoVadis Percentage of suppliers assessed by EcoVadis that are confirmed as compliant	Spending covered by EcoVadis assessments (based on procurement categories and countries at risk) Deployment and outcomes of the risk analysis for conflict minerals and hazardous chemicals in 2020 Deployment of a specific program on greenhouse gas emissions (CDP report and "science-based" targets)	p. 165-169
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05. FINANCIAL PERFORMANCE

COVID-19: IMPACT OF THE HEALTH CRISIS ON THE GROUP'S FINANCIAL POSITION AT DECEMBER 31, 2020

Background

Market review

The health crisis and the lockdown policies applied by governments in most countries around the world led to an unprecedented slowdown in economic activity in the first half of the year, resulting in a steep plunge in tire demand in every geography and most of the business segments.

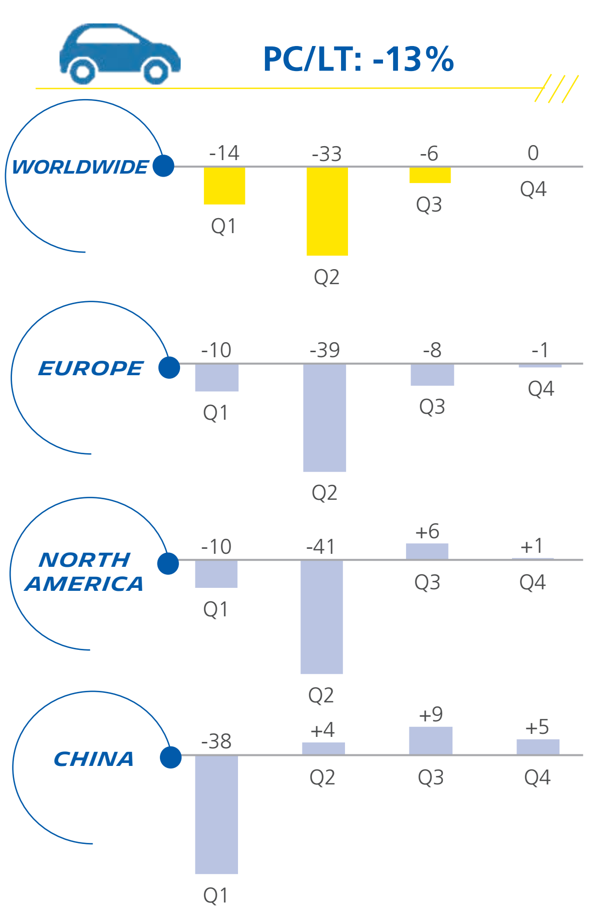
Overall, during the first six months, business in the Automotive and Road transportation segments hit a low point in the first quarter in China but in the second quarter in Europe and North America.

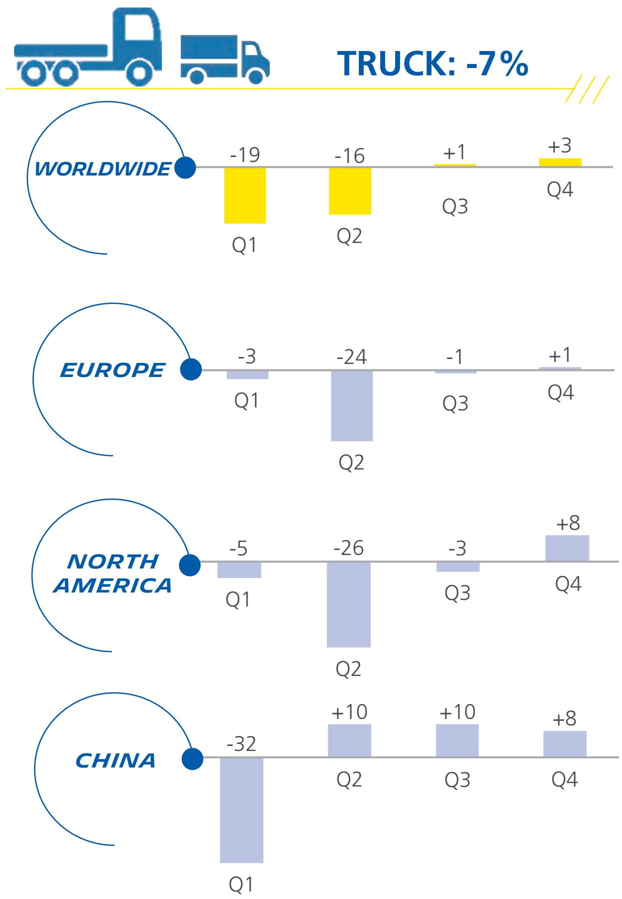
The second half saw a quick upsurge in global demand that lifted markets close to and sometimes over 2019 levels, led by robust growth in Original Equipment sales in both the Passenger car/Light truck and Truck segments. This positive trend, which began in the third quarter, gained momentum in the last three months of the year.

The second-half rebound, which was much stronger than the Group had expected in April 2020[(1)], helped to limit the full-year decline in demand to 13% year on year in the Passenger car/Light truck segment and to 7% in Truck tires.

Details of demand in each market may be found in section 5.1.1 *Tire markets* below.

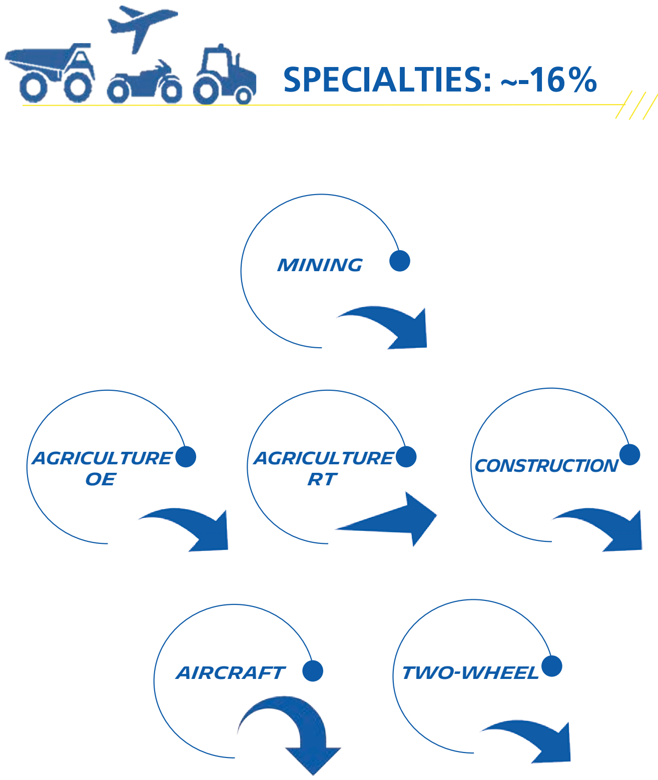
The following charts summarize the quarter-by-quarter change in demand in the Automotive and Road transportation businesses in the leading geographies in 2020, as well as the general trend for the year in the Specialty businesses.





Source: Michelin.

(1) *On April 29, 2020, in the depths of the crisis, the Group reaffirmed that its finances remained robust, noting that it had sufficient cash and cash equivalents to weather the crisis without having to draw down its confirmed lines of credit, even if demand were to collapse by 35% over the year. The full press release may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.*



Source: Michelin.

Review of the information released by the Group during the year

When presenting its 2019 results on February 10, 2020, the Group issued its guidance for 2020 excluding any impacts from a systemic crisis caused by Covid-19 (see section 3.1.7 "Outlook" in the 2019 Annual Results Guide, issued at the same time as the results).

On March 18, 2020, the Michelin Group issued a press release acknowledging that, due to the decline in tire demand and the growing systemic crisis in the global economy, the Group's 2020 guidance was no longer relevant, without any possibility at that time of assessing the potential impact, or by extension, the financial objectives of its 2020 plan.

The March 18 press release read in part as follows[(1)]:

"Covid-19 Health Crisis: The Michelin Group is responding to prevailing market conditions and deploying the measures required to attenuate the impact of this systemic crisis.

Tire market data as of end-February 2020, released today by the Michelin Group, show the initial impact of the Covid-19 public health crisis, with the global Passenger car and Light truck tire market down 9% year on year and the Truck tire market down 16%.

First of all, the Group is taking all the measures required to safeguard the health of its employees, in close cooperation with local authorities in every host country. The Group has decided to close, for at least one week, its production facilities located in the European countries most affected so far by the pandemic.

When presenting its 2019 results, the Group issued its guidance for 2020 excluding the systemic effects of the Covid-19 crisis. Now that the global economy is in the midst of a systemic crisis, the Group's 2020 guidance may be in question, without any possibility at present of assessing the potential impact. The Group is taking all of the initiatives required to attenuate as much as possible the negative consequences of the crisis on segment operating income and free cash flow. In addition, the Group has the sources of financing in place to deal with the uncertainty surrounding the crisis. […]"

On April 1, 2020, the Group issued a press release announcing that the dividend to be submitted to shareholder approval at the Annual Shareholders Meeting, which had been postponed until June 23, 2020, would be reduced to €2 from the initially recommended €3.85.

The April 1 press release read in part as follows[(1)]:

"Michelin will hold its Annual Shareholders Meeting behind closed doors on June 23, 2020 and is reducing the amount of the proposed 2019 dividend to €2 versus €3.85 initially. […]

In response to social distancing measures and restrictions on movement, the Group will, exceptionally, hold its Annual Shareholders Meeting behind closed doors and without shareholders in physical attendance, at 9:00 am (CEST) on June 23, 2020. […]

(1) *The full press release may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.*

In a commitment to optimally balance the interests of all its stakeholders, the Group has decided to reduce the amount of the proposed 2019 dividend to €2, compared with the initially announced €3.85. […]"

When it released its first-quarter sales figures, after close of trading on April 29, the Group described the initial impact of the health crisis on its business and presented the initiatives undertaken to protect the health of its employees and attenuate the impact of the crisis on segment operating income and free cash flow. At the same time, the Group reaffirmed that its finances remained robust, noting that it had sufficient cash and cash equivalents to weather the crisis without having to draw down its confirmed lines of credit, even if demand were to collapse by 35% over the year. As of late April, the future direction of the health crisis remained too uncertain to issue any reliable market forecasts and a related profit scenario.

The April 29 press release read in part as follows[(1)]:

"In the first quarter of 2020, at a time of systemic crisis due to Covid-19, Michelin saw an 8.3% decline in sales and deployed the measures needed to attenuate the impact of the crisis on employee health and the Group's business.

In response to the pandemic, Michelin first focused on safeguarding the health of its employees and their families by implementing all of the recommended precautions. The Group is actively engaging with its host communities in every country, offering its technological expertise, repurposing its production capacity and donating both equipment and funding.

Global tire demand dropped in the first quarter, as lockdown policies gradually spread around the world, impacting every business segment.

- *Passenger car and Light truck tire markets dropped 15% after carmakers suspended production and consumers went into isolation.*
- *Truck tire markets fell by 17% year on year.*
- *In the Specialty businesses, certain mining markets and the Replacement agricultural tire markets showed some signs of resilience.*

First-quarter sales declined by 8.3% year on year at current exchange rates […].

To mitigate the financial impact of the impending deep recession, in mid-March the Group implemented the following measures:

- *tracking supply and demand on a weekly basis to keep inventory under control;*
- *reducing capital expenditure by €500 million;*
- *reducing the dividend submitted to shareholder approval by €330 million;*
- *suspending the share buyback program, except for the firm commitments outstanding for 2020;*
- *reducing overhead costs.*

In addition, the Group reaffirms that it has the sources of financing in place to deal with the uncertainty surrounding the crisis. Stress tests, based on volumes declining by between 20% and 35% over the full year, have shown that the Group has sufficient cash and cash equivalents, without drawing down its confirmed back-up lines of credit.

[…]

So far, the direction of the pandemic and its economic impacts remain too uncertain to issue any reliable market forecasts and a related profit scenario. […]"

On June 23, the Group's Annual Shareholders Meeting was held behind closed doors and broadcast live on the ag2020.michelin.com website. During the Meeting, Yves Chapot, Manager and Chief Financial Officer, again emphasized the strength of the Group's finances, noting that the three leading credit rating agencies – S&P, Fitch Ratings and Moody's – had all confirmed the Group's ratings on May 14, 19 and 29, 2020 respectively[(2)].

When it released its interim results after close of trading on July 27, the Group issued new guidance for the year, reflecting the very sharp slowdown in demand over the first half and assuming that the economic impact of the crisis would be felt over the last six months of the year.

This press release read as follows[(1)]:

"[...] Outlook for 2020:

In 2020, after a first half shaped by the effects of the health crisis, notably the various restrictions on freedom of movement, global tire demand is expected to be impacted in the second half of the year by the economic recession ensuing from the pandemic. Passenger car and Light truck tire markets are expected to decline by between 15% and 20% over the year and Truck tire markets by between 13% and 17%. The Specialty markets should remain relatively resilient, with a 13% to 17% decline.

In this still highly uncertain market scenario, Michelin's objectives are to deliver full-year segment operating income in excess of €1.2 billion at constant exchange rates and structural free cash flow of more than €500 million, barring any new systemic impact from Covid-19. [...]"

On October 22, in a press release presenting its third-quarter 2020 sales, the Group responded to the stronger-than-expected upturn in demand by raising its full-year guidance versus the guidance announced on July 27 with the release of the first-half 2020 results.

This press release read as follows[(1)]:

"After falling steeply in the second quarter due to the health crisis, global tire demand picked up more strongly than expected in the third quarter.

[...]

(1) The full press release may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.
(2) Details of the Group's ratings by S&P, Fitch Ratings and Moody's may be found in section 5.1.4 k) below.

Outlook for 2020: in a still highly uncertain environment, and taking into account the recent change in tire demand, Passenger car and Light truck tire markets are expected to decline by 13% to 15% over the year, Truck tire markets by between 12% and 14% and the Specialty markets by 15% to 19%. With these new forecasts and the cost reductions linked to the circumstances, the Group is revising its guidance for 2020 upwards, with segment operating income in excess of €1.6 billion at constant exchange rates and structural free cash flow in excess of €1.2 billion, barring any new systemic effect from Covid-19."

Initiatives undertaken to attenuate the impact of the crisis on current and future performance

From the very first signs of the Covid-19 pandemic, Michelin defined two absolute priorities: protecting the health and safety of its employees, and doing everything in its power to ensure business continuity.

Protecting the health and safety of employees

Very quickly, the Group responded by implementing effective health and safety protocols to protect its employees and curb the spread of the virus.

In mid-March, for example, the Group decided, in liaison with national and regional host country authorities, to temporarily suspend part of its manufacturing operations in India, Europe and North America.

By early April, some of these operations were able to reopen, particularly in Italy and France, so as to meet customer demand and ensure continuity of the public services that were playing a critical role in fighting the pandemic. In this way, the Group could help to restart the economy, without in any way compromising the absolute priority focus on safeguarding everyone's health.

Beginning in mid-April, all of the European plants gradually resumed their manufacturing operations to meet demand. Capacity utilization varied significantly by business, with the lowest rates in Aircraft tires and the highest in Surface Mining and Agricultural tires. A lack of demand forced a number of North American Passenger car and Light truck tire plants to shut down in late April, but they have since restarted production.

As of the end of June, all of the Group's production plants were back in operation.

In the case of the facilities in Dundee, Scotland and La Roche-sur-Yon in France, which were scheduled to close in mid-2020 and end-2020 respectively, the Group chose not to reopen them for such a short period after the health-related shutdown ended. The Bamberg plant in Germany was closed as planned in December 2020.

Health precautions were tightened in every plant and workshop. Employees were instructed to wear a mask whenever appropriate, equipment was installed to enable everyone to wash their hands frequently (with soap or sanitizer), premises and workspaces were regularly disinfected and social distancing rules were applied when necessary.

Supported by the exceptional commitment of its employees, the Group was also able to quickly produce more than eight million surgical masks and hand sanitizer at many manufacturing facilities in Europe, thereby adding to its purchased stocks.

All these protective measures resulted in additional costs over the year, most of which were recognized in the first half.

The cost of purchasing and producing masks and sanitizer, as well as cleaning and disinfecting costs, amounted to €96 million for the period[(1)]. In the plants, the distancing rules prohibiting, for example, people from physically mingling during shift changes, had an adverse impact on productivity by slowing the pace of production.

The impact of this loss of productivity, combined with the year's generally weak output, may be seen in the heightened sensitivity of segment operating income to changes in volumes, which reflected the decline in the Group's ability to cover its fixed costs at a time when its business was severely impacted by the health crisis, during which certain normally variable costs became irreducible. As of December 31, the sensitivity of segment operating income to a one percentage point change in volumes has been estimated at an annualized €121 million. In "normal" times, *i.e.*, when overall volumes are expanding by 1% to 3% a year, this sensitivity is closer to €80 million for each percentage point of change.

While the plants were closed, the Group received financial support from governments to help fund employee furlough programs. These furlough grants totaled around €152 million over the year, of which around €133 million recognized in cost of sales and around €19 million in SG&A.

The Group has not requested any other form of public support to get through the crisis, such as government-backed loans or longer payment deadlines.

Michelin also took steps to make a portion of its masks – around three million – more widely available, through a donations program to support health authorities and emergency services in all of its host communities. Thanks to Michelin's expertise in metal and plastic 3D printing, the Group was also able to launch production of parts for ventilators, thousands of sterilizable polycarbonate visors, as well as hospital beds to enhance breathing for Covid-19 patients.

Moreover, hundreds of outreach initiatives were organized around the world, including tire donations, free maintenance services for emergency vehicles, financial contributions and individual support.

(1) See section 5.1.3 c) Segment other operating income and expenses.

Protecting the sustainability of Group operations by limiting the impact of the crisis on segment operating income and free cash flow

In addition to the financial measures described in the first-quarter sales press release[1], the Managers decided to reduce their April, May and June 2020 fixed compensation and their 2019 variable compensation by 25%. The Chairman and the independent members of the Supervisory Board have donated 25% of their 2019 compensation to foundations dedicated to fighting Covid-19. Lastly, depending on local situations, wage increases for employees have been frozen.

Capital expenditure outlays were reduced by some €600 million, or around one-third of the initially planned amount for the year. This decision was taken in a commitment to striking the right balance between preserving the Group's cash holdings for the year and maintaining its ability to support innovation and development projects. For example, a large portion of the projects designed to increase plant productivity and efficiency was maintained, as were projects to improve safety and ergonomics. On the other hand, capacity expansion projects were suspended in response to the sharp slowdown in demand[2].

In addition, the Group strengthened its liquidity position in the second half, in particular by raising its revolving line of credit[3] to €2.5 billion from €1.5 billion and by issuing a total of €1.5 billion in bonds in three tranches, maturing in 8, 12 and 20 years respectively[4].

In addition, from the beginning of the crisis, the Group chose to honor its commitments to all its partners, with a constant concern for protecting the most vulnerable.

In the case of suppliers, this initiative involved, for example, supporting the natural rubber value chain in the first half by maintaining order volume in excess of what was needed to meet demand. These measures have mitigated the impact of the crisis on the bottom line of smallholders and other rubber tree farmers, so that they have been able to stay in business.

In addition, Michelin has supplied masks and safety equipment to its customers and distributors, enabling them to conduct their activities in the best possible conditions.

Liquidity risk

At December 31, 2020, the Group had a solid balance sheet and was therefore not exposed to any particular liquidity risk:

- €4.7 billion in cash and cash equivalents (note 23 to the consolidated financial statements);
- €3.5 billion in net debt, down €1.7 billion from December 31, 2019 (note 26 to the consolidated financial statements);
- 28% gearing, versus 39% at year-end 2019.

At end-2020, the Group's very robust liquidity position included €694 million in outstanding commercial paper with maturities from 9 to 12 months, which were issued in spring 2020 at a time of heightened uncertainty and limited market access.

Now that the Group has the sources of financing it needs and unhindered market access, the excess outstanding commercial paper will be redeemed in first-quarter 2021.

In May, at the Group's request, the S&P and Fitch Ratings agencies confirmed their short-term and long-term credit ratings for CGEM and CFM, attesting to the Group's financial strength. Moody's, whose ratings have not been solicited since July 1, 2020, also confirmed CGEM and CFM's long-term credit ratings on May 14, 2020.

In addition, Standard & Poor's raised its outlook for the stock from negative to stable on December 21.

Rating	Agency	CGEM	Updated on
Short term	Standard & Poor's	A-2	May 19, 2020
	Fitch Ratings	F2	May 29, 2020
Long term	Standard & Poor's	A-	May 19, 2020
	Fitch Ratings	A-	May 29, 2020
	Moody's	A3	May 14, 2020
Outlook	Standard & Poor's	Stable	December 21, 2020
	Fitch Ratings	Stable	May 29, 2020
	Moody's	Stable	May 14, 2020

In conclusion, the Group's going concern status is not in doubt and it was not considered necessary to conduct new stress tests at end-December 2020[5].

(1) Details of these financial measures may be found in the April 29 press release presented in the "Review of the information released by the Group during the year" section above.

(2) See section 5.1.5 b).

(3) The full press release issued on October 19 may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.

(4) The full press release issued on October 26 may be found at: https://www.michelin.com/en/finance/regulated-information/financial-publications/?search-input=&filter-year=2020.

(5) Please refer to the "Review of the information released by the Group during the year" section above.

Impact of the health crisis on the risk factors specific to the Group

To a certain extent, the current health crisis and the way it has unfolded has exacerbated a number of risks or classes of risks specific to the Group, such as business interruption or continuity of supply. On the other hand, the crisis, which is not specific to the Group, is not such that it alters the scope and classification of the specific risks identified and described in section 2 "Risk Management" of the Universal Registration Document.

The supply chain encountered disruptions over the first nine months of the year, but they did not prevent the delivery of critical components, semi-finished products and finished products even though the situation evolved very quickly and required the entire chain to respond accordingly. The impact of the crisis on maritime shipping and other links in the supply chain became particularly noticeable in the fourth quarter, causing deep disruptions that forced the Group to operate with low inventory and respond to a significant increase in transportation costs. Despite these complications, deployment of the Group's business continuity procedures enabled it to avoid any supply issues in 2020.

On the manufacturing side, the Group was able to organize the resumption of operations around the world, as soon as the health situation and regulations allowed, by capitalizing on the feedback from its teams in China, where its industrial operations restarted on February 10, 2020, a week after the end of the official Chinese New Year holidays.

The current crisis has shown that the main risk that has arisen so far concerns the sudden collapse in global demand and its impact on the economy, which by nature is not specific to the Group.

As of the day before this document was published, the business continuity procedures prepared by the Group have kept its sales and administrative operations up and running around the world. However, due to the deeper disruptions seen in recent weeks in the maritime shipping industry – reflected in both longer delivery lead times and higher costs – the Group has observed minor supply interruptions at certain manufacturing plants, mainly for natural rubber. These supply chain pressures are expected to continue for several months, until such time as the shortage of containers from Asia is resolved.

Impact of the pandemic on the Group's strategic vision

As it emerges from 2020, the Group remains convinced of the validity of its strategic model and, with the underpinnings of its business still robust, reaffirms that its "All Sustainable" vision represents the keystone of its future performance.

The sudden, unprecedented nature of the health crisis has led governments in most countries to order exceptional lockdowns, which sharply reduced global economic activity and with it, in the short term, demand for mobility-related goods and services.

In the medium to long term, the need for mobility remains robust, led by two main factors: population growth, with the world's population expected to increase by more than 25% by 2050, and urbanization, with the percentage of people living in cities forecast to rise by more than 10 points to nearly 70% by 2050[1].

As the population rises and lives in larger urban communities, the need to transport people and goods will inevitably increase in the decades ahead. To support this development, the farming, mining and construction industries will also be called upon to meet the additional needs for food, materials and facilities.

So far, the greatest uncertainty concerns future passenger demand for air travel, in as much as it is too soon to say whether the crisis will have a lasting impact on travel spending and practices. As far as Michelin is concerned, however, this uncertainty is relative, since commercial aviation accounts for only about half of Aircraft tire revenue, which itself represents less than 10% of the Specialty businesses.

In addition to meeting the greater tire demand spurred by population growth and urbanization, the development of service solutions for retail and B2B customers will become increasingly business-critical. These are the solutions that will enable us to optimize tire use and smooth the flow of interaction with customers and users, which enhances intimacy and supports the development of effective new offerings. Moreover, in 2020, these same services demonstrated their model's very firm resilience by delivering growth in revenue despite the crisis.

Michelin already enjoys a broad, deep presence in both these areas – tires and mobility services and solutions – and intends to strengthen its leadership by continuing to innovate to sustain its technological advance, delivering long-lasting performance and further expanding its connected mobility solutions[2].

At this stage, however, it is too soon to assess the impact of the crisis on the emergence of new, potentially sustainable consumer spending patterns. On the other hand, it appears that some trends that were already emerging before the crisis have now gained significant momentum.

For example, given the numerous public and private-sector initiatives announced during the year, mobility will almost certainly be electrified over the short to medium term. The Group views this development as a twofold opportunity.

First, in the tire business, because electric vehicle tires must deliver higher technical performance than tires for conventional vehicles, which is good news for premium manufacturers, and for Michelin in particular.

(1) Source: United Nations, 2018 Revision of World Urbanization Prospects.

(2) See chapter 1 of the 2019 Universal Registration Document.

Second, in the market for electrifying modes of transportation, with the development of hydrogen-powered mobility, which is highly compatible with battery technology. For more than 15 years, Michelin has been building R&D expertise in hydrogen fuel cells, nurturing its credibility and a reputation that are now widely recognized. The Group is present in this market, which offers the promise of significant growth, through Symbio, a joint venture created with Faurecia in 2019.

In addition, the fact that the climate emergency and the need to address it in a joint, coordinated manner are now accepted by a growing number of institutions and other stakeholders underscores the validity of the Michelin 4R strategy, which the Group is deploying to improve its use of resources, from product design to end-of-life recycling. This strategy is activating four levers: Reduce, Reuse, Recycle and Renew.

Reduce the amount of raw materials used to make tires, the volume of CO_2 emissions inherent in their production, and the energy consumed by vehicles in use; Reuse our products, by offering tires that can be repaired and retreaded to extend their service lives, all while delivering the same safe driving experience and ever-improved performance; Recycle, by innovating to devise more effective solutions for recycling end-of-life tires as materials for new products or as fuel; Renew by using renewable or recycled materials to manufacture products for the tire market or other industries requiring highly technology-intensive solutions.

In the high-tech materials segment[(1)], the Group has built up unrivaled capabilities and expertise, which are already key to delivering the performance of its tires and which it can now deploy to develop applications for such industries as aerospace, energy, industrial equipment and medical devices. In 2018, the Group gained a foothold in these profitable, high growth markets by acquiring Fenner.

Over the short and medium term, Michelin will continue to expand its portfolio of flexible composites and sustainable materials. As part of this dynamic, the partnership announced on April 15, 2020 with Enviro is designed to develop a technology to reuse end-of-life mining tires as raw materials[(2)].

In addition, during the first half, the international, UN-backed Science Based Targets Initiative (SBTI) validated the Group's targets for reducing its greenhouse gas emissions, which are in line with the objective of keeping the global temperature increase below 2°C. The validation is further recognition of the effectiveness of the initiatives the Group has undertaken to implement its "All Sustainable" strategy.

During this crisis, Michelin teams around the world remarkably demonstrated their dedication in a myriad of ways: by constantly being there for customers, by organizing the fast restart of production operations, by producing massive quantities of masks and sanitizer, and by undertaking hundreds of outreach initiatives in every host community to donate tires, personal protective equipment for healthcare providers and other products.

Their individual and collective commitment illustrates the success of Michelin's "All Sustainable" strategy, whose deployment will continue to gain momentum.

Outlook

In 2021, barring any new systemic impact from Covid-19[(3)], Michelin's objectives are to deliver full-year segment operating income in excess of €2.5 billion at constant exchange rates and structural free cash flow of around €1 billion.

Details of the scenario on which the outlook is based are provided in section 3.7.1 below.

(1) See chapter 1 of the 2019 Universal Registration Document.

(2) See section 5.1.8 b).

(3) Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.

5.1 REPORT OF THE MANAGERS

5.1.1 TIRE MARKETS

5.1.1 a) A global market worth some $167 billion[1] in 2019

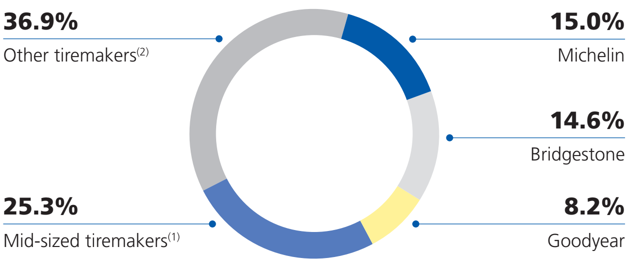
The global tire market totaled $167 billion in 2019, with light-vehicle tires accounting for around 60% of sales and truck tires 30%[2]. By volume, it represented more than 1.5 billion car and light truck tires and a little more than 220 million truck and bus tires[2]. Around three out of four tires were sold in the replacement market.

Changes in tire standards

In recent years, mandatory tire performance ratings, displayed on standardized labels, have been introduced in the European Union and many other regions and countries around the world. Similar systems with minimum tire performance standards and regulated labeling systems are also under consideration in China, the United States and India.

In addition, environmental legislation requiring car and truck manufacturers to reduce CO_2 emissions is helping to drive demand for low rolling resistance tires, of which Michelin is a world-leading manufacturer. For example, the VECTO simulation model now required under European Union regulations integrates the real value of tire rolling resistance as one of the parameters for calculating truck CO_2 emissions.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2019

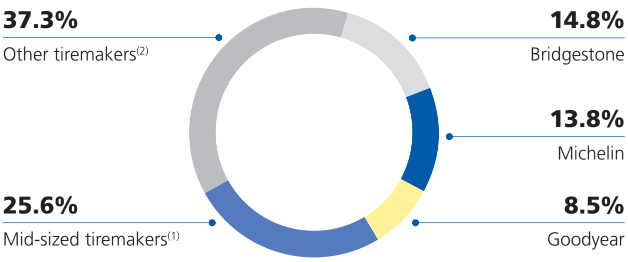


Source: 2019 sales in US dollars, published in Tire Business, August 2020.
(1) Tiremakers with a 2-7% market share according to the Tire Business ranking.
(2) Tiremakers with less than a 2% market share according to the Tire Business ranking.

Looking beyond 2020, Michelin currently expects overall business activity to return to 2019 levels in the second half of 2022.

Longer term, tire demand is likely to expand by 0-2% a year in mature markets and by 2-4% a year in the new markets. In this environment, Michelin targets growing market segments with high added value, such as the premium segment for its Automotive activity and specialty markets.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2018



Source: 2018 sales in US dollars, published in Tire Business, August 2019.
(1) Tiremakers with a 2-7% market share according to the Tire Business ranking.
(2) Tiremakers with less than a 2% market share according to the Tire Business ranking.

5.1.1 b) Tire markets in 2020

Global tire markets experienced an unprecedented contraction in 2020, in an environment deeply impacted by the Covid-19 pandemic and its economic consequences.

In the Passenger car and Light truck segment, Original Equipment demand was dampened in the first half by automotive plant shutdowns, while the historically more resilient Replacement market suffered from the mobility restrictions enforced worldwide in response to the pandemic. The second half, on the other hand, saw a robust upturn in business in a persistently uncertain environment.

(1) Source: Tire Business.
(2) Michelin estimates.

In Truck tires, after a first half impacted by the global economic shutdown, both the Original Equipment and Replacement markets rebounded in the second half of the year, led by the recovery in road freight demand.

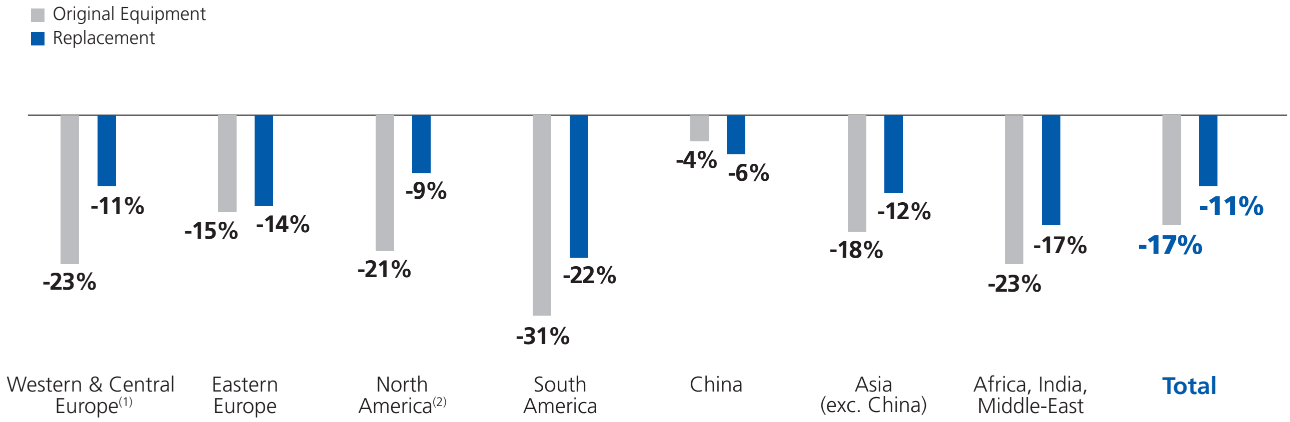
In the midst of this systemic crisis, the Specialty businesses delivered a contrasted performance, with the Two-wheel and Off-the-road markets showing more resilience than the Mining and Aircraft tire businesses.

Methodological note: Tire market estimates reflect sell-in data published by local tiremaker associations, plus Michelin's own estimates of sales by tire manufacturers that do not belong to any association. These estimates are based primarily on import-export statistics and are expressed in the number of tires sold. They are regularly adjusted and may be updated following their initial publication.

5.1.1 c) Passenger car and Light truck tire markets in 2020

In 2020, the global Original Equipment and Replacement **Passenger car and Light truck** tire market was down 13% in number of tires sold.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, 2020 VS. 2019



(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

Original Equipment

After contracting by 33% in the first six months of the year, when demand collapsed in the wake of automotive plant shutdowns in response to the health crisis, the Original Equipment segment saw a marked improvement in the second six months, with (i) global demand in line with second-half 2019 and (ii) a 2% gain in the final quarter sustaining the third-quarter rebound led by the upturn in world automobile output.

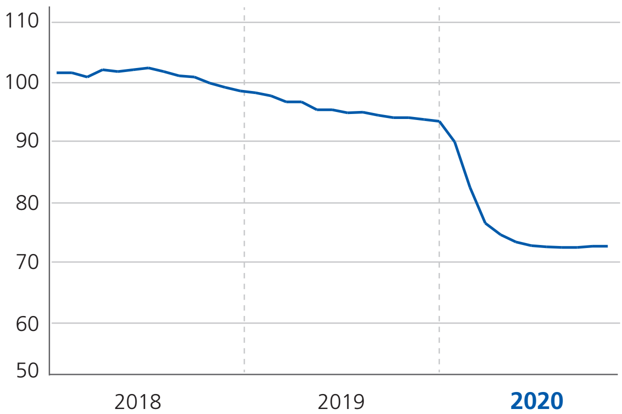
Passenger car and Light truck tire markets Original Equipment *(in millions of tires)*	**2020**	**2019**	**2020/2019**	**Second half 2020/2019**	**Fourth quarter 2020/2019**	**Third quarter 2020/2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Western and Central Europe[1]	71	92	-23%	-5%	0%	-10%	-39%	-62%	-16%
Eastern Europe	7	8	-15%	-3%	-3%	-2%	-28%	-45%	-9%
North America[2]	62	79	-21%	0%	0%	0%	-40%	-68%	-11%
South America	11	16	-31%	-11%	+1%	-22%	-51%	-82%	-18%
China	112	117	-4%	+9%	+8%	+11%	-19%	+10%	-46%
Asia (excluding China)	64	79	-18%	-8%	-2%	-15%	-28%	-47%	-10%
Africa/India/Middle East	24	31	-23%	-2%	+2%	-6%	-42%	-69%	-18%
TOTAL	**351**	**421**	**-17%**	**0%**	**+2%**	**-3%**	**-33%**	**-43%**	**-22%**

(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

In **China**, the market continued to expand in the fourth quarter, with an 8% increase easing the annual decline to 4%, while in **North America**, automaker inventory rebuilding lifted demand back in line with 2019 levels in the second half. Fourth-quarter growth was unchanged year on year, in line with the third quarter. The **European market excluding Russia** only returned to 2019 levels in the fourth quarter, led by the recovery in the automotive market.

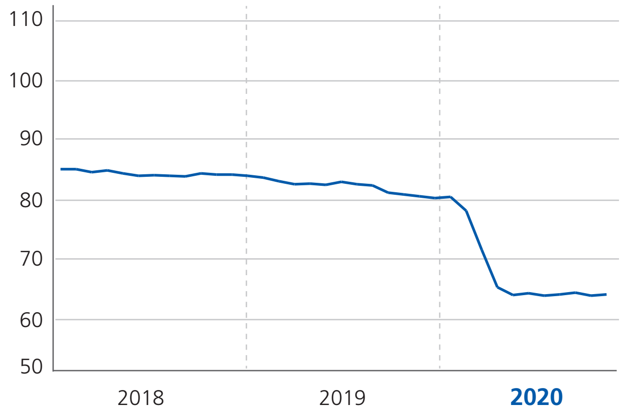
Original Equipment markets in **South America** continued to be hard hit by the health crisis in the third quarter (down 22%) but returned to growth in the fourth (up 1%). In the **Africa/India/Middle East** region and **Asia excluding China**, the rebounds observed in the third quarter continued apace in the fourth, with demand ending the year up 2% in the former region and down a limited 2% in the latter.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN EUROPE
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE PASSENGER CAR AND LIGHT TRUCK MARKET IN NORTH AMERICA
(in millions of tires – moving 12 months)



Michelin estimates.

Replacement

After an unprecedented 20% drop in demand in the first half, the global Replacement tire market steadily improved throughout the second six months, ending the period 3% down year on year with, in particular, fourth-quarter 2020 demand coming close to the level seen in fourth-quarter 2019.

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	2020	2019	2020/2019	Second half 2020/2019	Fourth quarter 2020/2019	Third quarter 2020/2019	First half 2020/2019	Second quarter 2020/2019	First quarter 2020/2019
Western and Central Europe(1)	281	315	-11%	-2%	+1%	-4%	-20%	-31%	-10%
Eastern Europe	51	59	-14%	-13%	-14%	-12%	-16%	-33%	-2%
North America(2)	286	315	-9%	+2%	+1%	+4%	-22%	-35%	-8%
South America	52	67	-22%	-20%	-15%	-25%	-24%	-46%	-1%
China	127	135	-6%	+6%	+2%	+10%	-17%	0%	-32%
Asia (excluding China)	132	149	-12%	-8%	+4%	-20%	-16%	-25%	-8%
Africa/India/Middle East	91	109	-17%	-9%	-5%	-12%	-25%	-48%	-1%
TOTAL	**1,020**	**1,149**	**-11%**	**-3%**	**-1%**	**-5%**	**-20%**	**-30%**	**-10%**

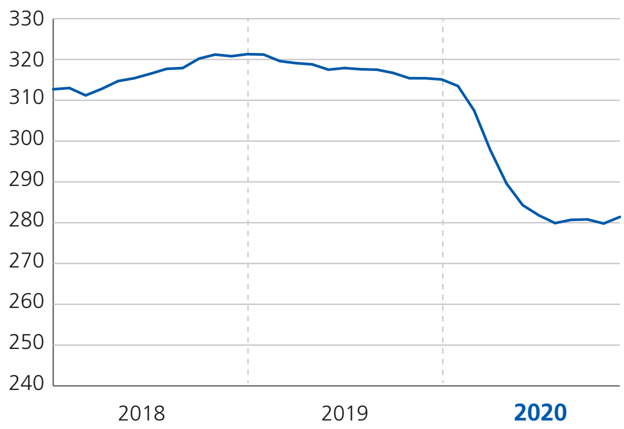
(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

In **Europe excluding Russia and the CIS**, the lifting of lockdown restrictions at the end of the second quarter triggered a sharp upturn in mobility, which gradually fed through to an increase in tire demand over the second half despite a particularly mild winter. The recovery was relatively stronger in the southern European countries (France, Spain and Italy), where lockdowns had had the deepest impact in the first half, with demand ending the second half down just 1%. The implementation of Brexit in January 2021 led to a massive buildup of dealer inventory, which lifted the market by 6% in the second half of 2020. Spurred by local currency weakness, the Turkish market expanded by 16% over the year, led by export sales. Compared with the rest of Europe, the recovery was much weaker in **Russia and the CIS**, with the market declining by 13% in the second half.

The following table shows the change in demand by major country, with growth varying in the non-euro geographies depending on export sales.

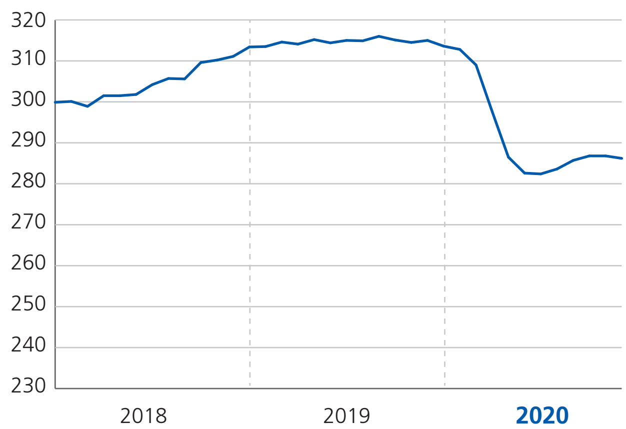
Passenger car and Light truck tires – Replacement	Change vs. 2019
WESTERN EUROPE	**-11%**
▶ France	-12%
▶ Spain	-22%
▶ Italy	-19%
▶ United Kingdom	-10%
▶ Germany	-13%
▶ Poland	-12%
▶ Turkey	16%
EASTERN EUROPE	**-14%**
▶ Russia	-15%

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN EUROPE
(in millions of tires – moving 12 months – excluding Russia)



Michelin estimates.

THE REPLACEMENT PASSENGER CAR AND LIGHT TRUCK TIRE MARKET IN NORTH AMERICA
(in millions of tires – moving 12 months)



Michelin estimates.

In **North and Central America**, at a time of economic recovery and speculative buying ahead of possible new US duties on tires imported from South Korea, Thailand, Vietnam and Taiwan, Replacement demand rose by 2% in the second half (4% in the United States), easing the market decline to 9% for the year.

In **South America**, demand dropped 22% over the full year, as the market struggled to emerge from the crisis in the second half (down 20%), despite a slight improvement in the fourth quarter (down 15%). Only Brazil saw a clear improvement in the second half compared with the first.

In **China**, Replacement demand ended the year down 6%. After plunging 32% in the first quarter due to Covid-19 restrictions, the market very quickly returned to its structural growth rates (up 6% in the second half), led by the strong growth in Original Equipment sales in recent years.

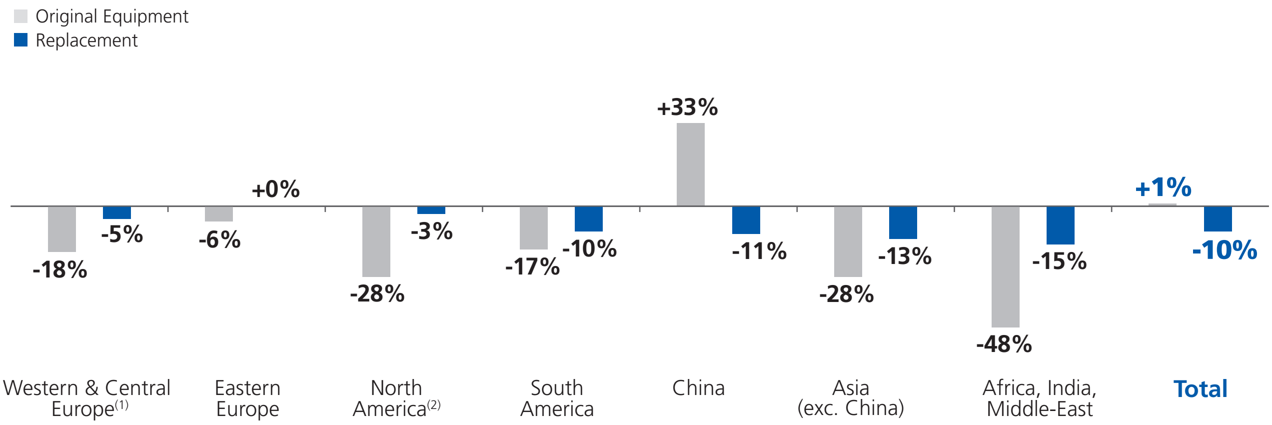
Demand in **Asia (excluding China and India)** declined by 12% in 2020, with a smaller decline than in other regions of the world in the first half (down 16%) and an 8% contraction in the second six months, as an upturn in sales in every country offset the impact of a still uncertain health situation. Japan, South Korea, Thailand and Vietnam all saw an increase in demand in the fourth quarter.

In the **Africa/India/Middle East** region, demand slipped 17% over the year. The Indian market, which was seriously impacted by the crisis in the first half (down 38%), rebounded sharply in the second half (down 8%) with a fourth quarter on a par with 2019. In addition to the health crisis, the other countries in the region were hurt by the impact of the global economic slowdown on commodity prices.

5.1.1 d) Truck tire markets in 2020

The number of new **Truck** tires sold worldwide declined by 7% in 2020, mainly due to the impact of the health crisis on the global economy. However, demand rose by 2% over the second half, led by the upturn in the Original Equipment market.

THE GLOBAL TRUCK TIRE MARKET, 2020 VS. 2019



(1) Including Turkey.
(2) Including Central America.
Michelin estimates – new tire market only.

Original Equipment

The global original equipment Truck tire market, as measured by the number of new tires sold, grew by 1% in 2020. After falling by 12% in the first half, the market rebounded in the second six months, boosted by very strong 48% growth in Chinese demand.

Truck tire markets Original Equipment *(in millions of tires)*	**2020**	**2019**	**2020/2019**	**Second half 2020/2019**	**Fourth quarter 2020/2019**	**Third quarter 2020/2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Western and Central Europe[1]	4.7	5.8	-18%	+3%	+14%	-7%	-34%	-48%	-21%
Eastern Europe	0.9	0.9	-6%	-5%	-6%	-3%	-7%	-16%	+4%
North America[2]	4.9	6.8	-28%	-13%	-3%	-22%	-41%	-61%	-21%
South America	1.6	1.9	-17%	-2%	+17%	-17%	-32%	-54%	-8%
China	30.4	22.9	+33%	+48%	+29%	+76%	+19%	+57%	-18%
Asia (excluding China)	3.4	4.7	-28%	-28%	-20%	-35%	-29%	-44%	-14%
Africa/India/Middle East	2.3	4.5	-48%	-23%	-6%	-41%	-63%	-74%	-53%
TOTAL	**48.2**	**47.5**	**+1%**	**+18%**	**+15%**	**+21%**	**-12%**	**-2%**	**-22%**

(1) Including Russia and Turkey.
(2) United States and Canada.
Michelin estimates.

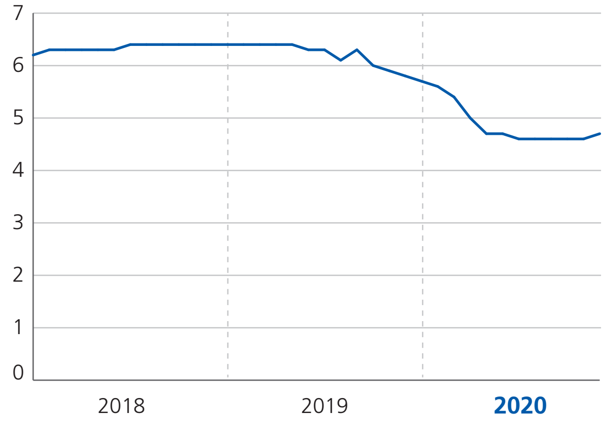
In **Europe excluding Russia and the CIS**, the recovery in Original Equipment demand that began in the third quarter (down 7% after a 34% drop in the first half) gained strong momentum in the final three months (up 14%), particularly in Germany, Italy, Spain and Turkey.

The **Chinese** market rose by 33% over the year, spurred by new legislation and the economic recovery.

In **North and Central America**, Original Equipment demand declined by 28% over the year, with a slight improvement in the second half (down 13%) compared with the first (down 41%). The decline eased to 3% in the final quarter, which saw a sharp upturn in OEM orders in the United States.

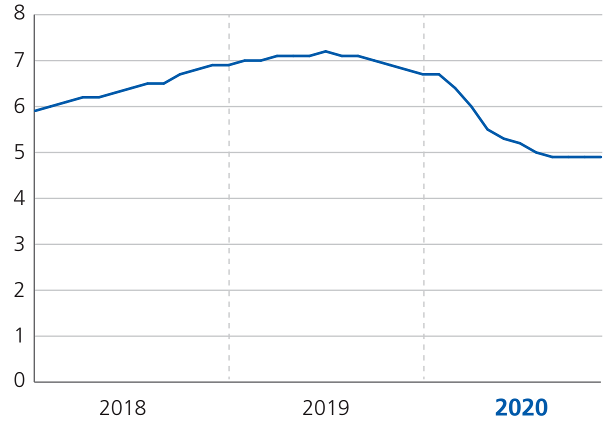
In the **rest of the world**, Original Equipment demand remained depressed throughout the second half with the exception of **South America**, where Brazil helped to lift the market almost back in line with 2019 (down 2%).

THE OE TRUCK TIRE MARKET IN EUROPE
(in millions of new tires – moving 12 months – excluding Russia)



Michelin estimates.

THE OE TRUCK TIRE MARKET IN NORTH AMERICA
(in millions of new tires – moving 12 months)



Michelin estimates.

Replacement

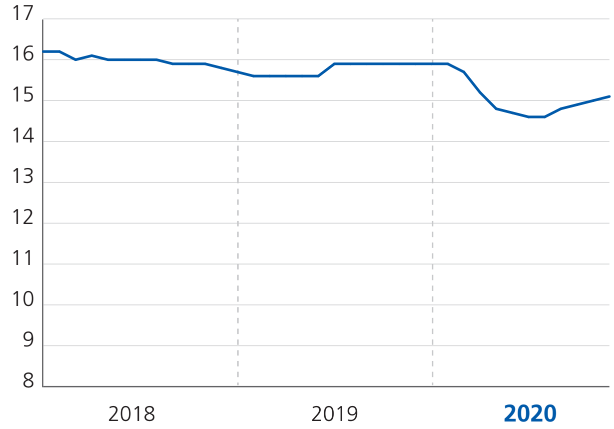
The global Replacement tire market contracted by a sharp 10% in 2020, primarily due to the steep decline in freight demand in the wake of the worldwide health crisis. As health measures implemented around the world weighed on local economies, the market retreated by an aggregate 18% in the first half before rebounding in the second (down 2%). However, this general improvement varied by region.

Truck tire markets Replacement *(in millions of tires)*	**2020**	**2019**	**2020/2019**	**Second half 2020/2019**	**Fourth quarter 2020/2019**	**Third quarter 2020/2019**	**First half 2020/2019**	**Second quarter 2020/2019**	**First quarter 2020/2019**
Western and Central Europe[(1)]	15.1	15.9	-5%	+5%	+6%	+3%	-16%	-25%	-6%
Eastern Europe	8.3	8.3	0%	-10%	-14%	-6%	+12%	+5%	+21%
North America[(2)]	26.1	26.8	-3%	+3%	+8%	-2%	-9%	-18%	0%
South America	11.4	12.6	-10%	-2%	+2%	-6%	-17%	-28%	-6%
China	50.3	56.6	-11%	0%	0%	0%	-26%	-14%	-38%
Asia (excluding China)	21.4	24.4	-13%	-8%	+4%	-20%	-18%	-24%	-11%
Africa/India/Middle East	25.6	30.3	-15%	-7%	-14%	-1%	-23%	-34%	-12%
TOTAL	**158.2**	**174.9**	**-10%**	**-2%**	**0%**	**-3%**	**-18%**	**-21%**	**-16%**

(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

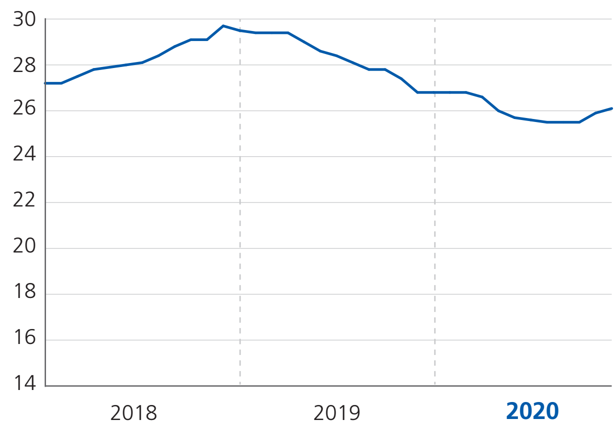
In **Western and Central Europe** and in **North America**, following a first-half decline in freight demand caused by the steep economic slowdown in both regions, where overall demand shrank by 16% and 9% respectively, markets rebounded sharply in the second half, gaining 5% in Western and Central Europe and 3% in North America on a stronger-than-expected upturn in business activity and freight transportation. The **Eastern European** market was unchanged over the year.

THE REPLACEMENT TRUCK TIRE MARKET
IN EUROPE
(in millions of new tires – moving 12 months – excluding Russia)



Michelin estimates.

THE REPLACEMENT TRUCK TIRE MARKET
IN NORTH AMERICA
(in millions of new tires – moving 12 months)



Michelin estimates.

The **South American** market declined by 10% over the year, with the second half (down 2%) showing a clear improvement over the first (down 17%). This primarily reflected the upturn in demand in Brazil (up 7% in the second half), with the Argentine market continuing to slip, quarter after quarter, to end the second half down 10% after gaining 7% in the first.

In **China**, Replacement tire demand declined by 11% over the year. After falling 26% in the first half, the market moved back in line with 2019 levels in the second, mainly due to strong growth in Original Equipment sales.

Markets in **Asia (excluding India and China)** ended the year down 13% but showed an improvement in the second half (down 8%). In particular, the fourth quarter rose by 4% year on year, thanks to a strong 14% rebound in demand in Japan and South Korea.

In the **Africa/India/Middle East** region, new tire demand contracted by 15% over the year. After falling 23% in the first half, demand improved to a 7% decline in the second six months, led by 8% growth in the Indian market.

5.1.1 e) Specialty tire markets in 2020

Mining tires: The surface mining tire market, which had held up well in the first half, turned sharply downward in the fourth quarter as China reduced its coal imports and large mining companies adjusted their tire inventories. The Quarries and Underground Mining tire segments were adversely impacted by the economic slowdown.

Agricultural and Construction tires: Since the summer, Agricultural tire markets have been rebounding on the steady improvement in fundamentals (grain prices, farm income, farmer confidence index). The Construction and Infrastructure segments rose sharply in the fourth quarter, led by the market recovery and OEM inventory rebuilding.

Two-wheel tires: Two-wheel tire markets enjoyed sustained demand driven by the surging sales of motorcycles, scooters and bicycles.

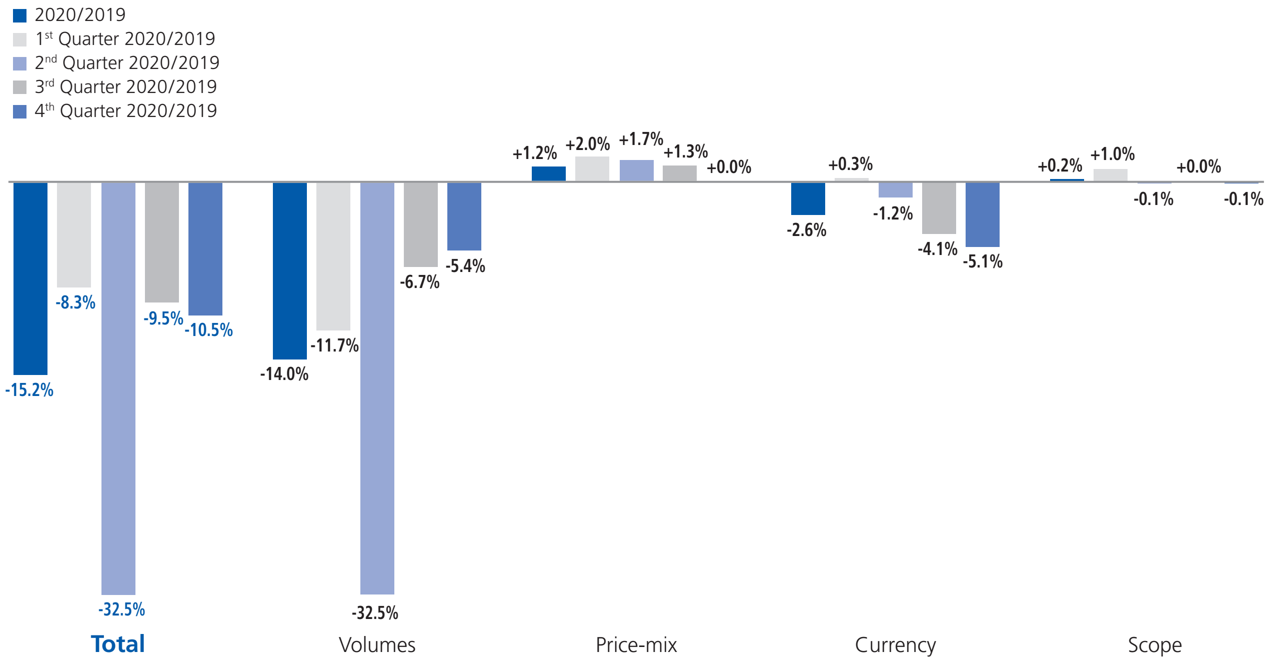
Aircraft tires: In the commercial aircraft tire market, there are no signs of recovery in the intercontinental flight segment, but the domestic flight segment seems more resilient, especially in China, where it has returned to pre-Covid levels. Demand in the Military and General Aviation segments held up well over the period.

Conveyor belts: Trends in the conveyor belt market varied over the period, with sustained strong growth in mining operations in Australia and a slowdown in North America due to the closure of certain coal mines and prevailing conditions in the manufacturing industry.

Specialty polymers: As a whole, these markets demonstrated greater resilience (particularly in the medical applications segments), with the exception of energy seals.

5.1.2 SALES

5.1.2 a) Analysis of sales



Sales stood at €20,469 million for the year, down 15.2% from €24,135 million in 2019, primarily as a result of the very steep decline in volumes caused by the Covid-19 health crisis. More specifically, the year-on-year contraction reflected the combined impact of the following factors:

- the steep 14% decline in volumes, as the collapse in global demand in the first half due to the health crisis and the ensuing restrictions on movement was partially offset by a stronger-than-expected recovery in the second six months of the year;
- the positive 1.2% price-mix effect. The €104 million gain from prices reflected (i) firm pricing discipline in a more competitive business environment created by plunging markets and (ii) the Group's ability to raise prices to offset the decline in certain currencies against the euro. These positive factors were attenuated by the negative impact of indexation clauses based on raw materials prices. The €196 million positive mix effect reflected the sustained success of the MICHELIN brand's premium strategy, particularly in the 18-inch and larger segment, and the resilience of the Specialty businesses. In the second half, the positive mix effect was dampened by the unfavorable impact of the relative performances of OE and Replacement tire sales and the decline in surface mining tire sales in the Specialty businesses mix;
- the negative 2.6% currency effect, led by the decline in the US dollar against the euro in the second half;
- the 0.2% positive impact from changes in the scope of consolidation following the acquisitions of Masternaut and Multistrada in 2019 and the disposal of Bookatable.

Note that sales of tire-related services and solutions totaled €986 million in 2020, versus €1,124 million in 2019. The decline reflected both the negative €36 million currency effect and the steady growth in fleet services, which was, however, more than offset by the adverse impact of closing dealerships during the first lockdown phase and the unfavorable change in the scope of consolidation following the disposal of BookaTable in December 2019.

(in € millions and %)	2020	Second half 2020	Fourth quarter 2020	Third quarter 2020	First half 2020	Second quarter 2020	First quarter 2020
SALES	**20,469**	**11,112**	**5,581**	**5,531**	**9,357**	**4,030**	**5,327**
Change, year on year	**-3,666**	**-1,242**	**-658**	**-584**	**-2,424**	**-1,942**	**-482**
Volumes	-3,385	-750	-339	-411	-2,635	-1,958	-677
Price-mix	+300	+83	+3	+80	+217	+100	+117
Currency effect	-624	-567	-316	-251	-57	-76	+19
Scope of consolidation	+43	-8	-6	-2	+51	-8	+59
Change, year on year	**-15.2%**	**-10.1%**	**-10.5%**	**-9.5%**	**-20.6%**	**-32.5%**	**-8.3%**
Volumes	-14.0%	-6.1%	-5.4%	-6.7%	-22.4%	-32.5%	-11.7%
Price-mix	+1.2%	+0.7%	0.0%	+1.3%	+1.9%	+1.7%	+2.0%
Currency effect	-2.6%	-4.6%	-5.1%	-4.1%	-0.5%	-1.2%	+0.3%
Scope of consolidation	+0.2%	-0.1%	-0.1%	0.0%	+0.4%	-0.1%	+1.0%

5.1.2 b) Sales by reporting segment

Segment information is presented according to the following three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities, as well as the Conveyor Belt and High-Technology Materials activities. The Services & Solutions businesses are included for the most part in the "Road transportation and related distribution" segment.

Operating segment performance is measured primarily on the basis of sales and segment operating income, calculated according to the same measurement principles used in the consolidated income statement.

(in € millions and %)	2020	Second half 2020	Fourth quarter 2020	Third quarter 2020	First half 2020	Second quarter 2020	First quarter 2020
GROUP	**20,469**	**11,112**	**5,581**	**5,531**	**9,357**	**4,030**	**5,327**
Automotive and related distribution	10,103	5,709	2,867	2,842	4,394	1,797	2,597
Road transportation and related distribution	5,373	2,962	1,503	1,459	2,411	1,051	1,360
Specialty businesses and related distribution	4,993	2,441	1,211	1,230	2,552	1,182	1,370
Change, year on year	**-15.2%**	**-10.1%**	**-10.5%**	**-9.5%**	**-20.6%**	**-32.5%**	**-8.3%**
Automotive and related distribution	-14.7%	-7.8%	-10.9%	-4.5%	-22.3%	-37.4%	-6.9%
Road transportation and related distribution	-16.7%	-10.4%	-6.9%	-13.6%	-23.3%	-34.1%	-12.3%
Specialty businesses and related distribution	-14.4%	-14.6%	-13.9%	-15.2%	-14.3%	-21.6%	-6.9%

Automotive and related distribution – Analysis of sales

Volumes in the Automotive and related distribution reporting segment declined by 13.8% over the year. In the first half, volumes fell by 24% on the collapse in tire demand caused by the lockdowns enforced by most of the world's governments to prevent the spread of Covid-19. The decline eased to 4% in the second six months, thanks to a stronger-than-expected rebound in demand, beginning in the Original Equipment segment and continuing into Replacement markets. Geographically, the rebound was led by robust gains in China, where the Original Equipment and Replacement markets returned to year-on-year growth in the second half.

During this unexpectedly strong second-half recovery, the Group focused on its carmaker partners and the highest value Replacement segments, while continuing to broaden its product portfolio and deepen its positions in the premium 18-inch and larger segment. It delivered this successful performance while maintaining a disciplined pricing policy at a time of highly volatile exchange rates, commodity prices and freight costs.

In the **Original Equipment** segment, the Group improved its positions by building on its technological leadership and the strength of its brand, which helped to cushion the impact of an unfavorable geographic mix over the year. The Group also continued to benefit from growth in electric vehicle sales, which were especially strong in 2020, spurred by the auto industry support plans deployed in a large number of countries.

In **Replacement** markets, the Group increased its share of the buoyant 18-inch and larger segment and remained the leader in the all-season segment, with its MICHELIN Cross Climate line in the regions where it is sold. In 2020, the Group also stepped up deployment of its distribution strategy by developing its presence in online retailing channels and continuing to expand its franchise network.

In **Europe**, the Group was adversely impacted by a negative geographic mix stemming from its strong exposure to Southern European countries, where lockdown measures were stricter than in Northern Europe. Across the region, the Group continued to strengthen its positions in the 18-inch and larger segment and in winter tires (particularly in Northern Europe), while diligently applying its pricing policy. In addition, the Group further benefited from its solid positions in the all-season segment, with its MICHELIN Cross Climate line, and from the success of its Tier 2 KLEBER brand lines. In Eastern Europe, the MICHELIN X Ice North 4 studded tire continued to sell well in 2020.

In **North America**, the premium segment suffered more, as in every recession, than the intermediate and entry-level segments, where the UNIROYAL brand remained in strong demand throughout the year, led by its product-line refresh in 2019. In the second half, overall tire demand was driven by Southeast Asian imports, as dealers built up inventory ahead of possible new duties on tires in 2021 from Vietnam, Thailand, South Korea and Taiwan. Given that each segment's weighting has been relatively stable over the long term, market dynamics are expected to be more favorable to the premium segment once the crisis recedes.

Business in **South America** suffered throughout the year from the health crisis, which sharply curtailed mobility, but also from the introduction of import quotas in Argentina, which weighed on Group sales. Despite the unfavorable environment, the Group gained further market share in the 18-inch and larger segment.

Positions in **Asia (excluding India)** were strengthened as business turned upwards year on year in China in the second half and in Southeast Asia in the fourth quarter. The positive momentum in China is being impelled by the government and its commitment to moving the country towards more qualitative growth. This is fueling increasingly strong demand for more sustainable tires, where Michelin is market leader. This major shift, which is just beginning to emerge, and the Group's distribution model enabled Michelin to capture all of the country's robust growth in the second half, while continuing to enhance its mix. In Southeast Asia, the Group also strengthened its positions in the 18-inch and larger segment.

In the **Africa-India-Middle East** region, the Group continued to deepen its positions in the 18-inch and larger segment, despite the difficulties arising from the health crisis and the drop in oil prices.

Sales in the **Michelin Experiences** business, which primarily operates in the fine dining, hospitality and travel segments, were particularly impacted by the lockdowns and border closures. In response, the Group stepped up deployment of its projects designed to digitize the services portfolio.

In January 2020, the MICHELIN Guide teams introduced a new award, represented by a green star, to recognize chefs who are environmentally sensitive and taking a more sustainable approach to their cuisine. This initiative will help to drive faster change in practices around the world and is already attracting interest from culinary industry stakeholders in a number of countries.

In all, sales in the Automotive and related distribution reporting segment declined by 14.7% to €10,103 million, from €11,851 million in 2019. Even as volumes fell a steep 13.8% over the year, the price-mix effect was positive, led by market share gains in the 18-inch and larger segment and by disciplined price management despite highly volatile raw material prices, freight costs and exchange rates. The fact that OE markets rebounded faster than the Replacement segment weighed on the mix, particularly in the fourth quarter. The impact from changes in the scope of consolidation, which was slightly favorable over the year, resulted primarily from the acquisition of Multistrada in first-quarter 2019.

Road transportation and related distribution – Analysis of sales

Volumes in the Road transportation and related distribution reporting segment contracted by 16.0%, dragged down by a highly negative geographic mix. In the first half, volumes plunged 25% as the health crisis slowed economic activity and amplified the cyclical downturn that began in late 2019 in the North American Original Equipment segment. Volumes ended the second half down 8%, primarily due to an unfavorable geographic mix caused by the strong rebound in Chinese demand. In an environment where growth varied by geography, the Group pursued its strategy of selectively focusing on value-creating market segments and maintaining price discipline around the world.

In the **Original Equipment** segment, demand fell sharply in the first half (outside China), turned upwards in the third quarter and rose significantly year on year in the fourth quarter in Europe and North America. As demand recovered more robustly than expected in the second half, on the whole the Group succeeded in maintaining its market positions over the year.

In **Replacement** markets, new tire demand was seriously dampened by the slowdown in economic activity, particularly in the first half. In the second half, freight demand recovered more briskly than expected, with in particular a return to year-on-year growth in the final quarter in Europe and North America. In this environment, the Group focused on its value-added offerings, led by the MICHELIN brand and retreading solutions. In addition, the resilience of the Services & Solutions business helped to mitigate some of the impact from the slowdown in tire demand. Note that in 2020, the strong growth in online retailing supported demand in most regions in the last-mile delivery segment, where the MICHELIN Agilis 3 tire, launched during the year, was a best seller.

In **Europe**, in a market shaped by the premium segment's relative resilience compared with the intermediate and entry-level segments, the Group strengthened its positions in MICHELIN brand sales and retreading solutions in its leading Western European country markets, supported by the fourth-quarter rebound in demand. The Group also continued to roll out its fleet services during the year. In particular, it launched the new Michelin Connected Fleet offering, developed by leveraging the synergies between Masternaut and Sascar solutions and Michelin Solutions' core offerings. The new solution will be gradually deployed around the world.

In **North America**, the Group's positions were pressured by the much sharper-than-expected rebound in demand, particularly in the fourth quarter. In such fast-growing markets, the Group was not always able to keep up with demand, in particular because production capacity was restrained by the very strict health precautions implemented to protect employees and keep them safe.

Positions in **South America** stabilized in the second half, after being particularly hard hit by the effects of the health crisis in the first six months of the year. Sascar's fleet management solutions remain on a growth trajectory, with a sustained up-market shift in the content of the portfolio.

In **Asia (excluding India)**, and particularly in China, the focus on customers who value Michelin products for their high technological content did not adversely impact Group positions, which held firm in a market down for the year. 2020 also saw the first signs of qualitative growth in demand, in both the Truck and the Passenger car/Light truck segments. This was particularly the case in the last-mile delivery segment, which rose sharply on the strong growth in online retailing over the year. This trend, which is favorable to the Group's products and services, is expected to continue in the future.

In the **Africa-India-Middle East** region, where markets fell sharply during the year, Michelin maintained unit margin integrity by applying strict pricing policies and focusing on the MICHELIN brand.

In all, sales by the Road transportation and related distribution reporting segment declined by 16.7% year on year, to €5,373 million from €6,448 million in 2019. The contraction was attributable to the steep fall-off in volumes, which offset the favorable mix and firm pricing policy stemming from the Group's strategy of building positions in value-creating segments.

Specialty businesses and related distribution – Analysis of sales

Surface mining tires: The surface mining tire market, and therefore Group volumes, did not experience the rebound that lifted the other businesses in the second half. On the other hand, at the very end of the year Group volumes turned upwards on the first signs that the market was bottoming out. It remains to be seen, however, whether this positive trend will continue.

Agricultural and Construction tires: The replacement Agricultural tire market demonstrated firm resilience throughout the year, and even turned upwards year on year in the second half. After plunging steeply in the first half, both the Agricultural and the Construction Original Equipment markets showed signs of improvement in the last six months of the year, helping to lift Group sales. The replacement Construction tire market, which closely tracks infrastructure projects, was adversely impacted by the sharp economic slowdown during the year.

Two-wheel tires: Sales ended 2020 only slightly lower than the year before, as demand for two-wheeler tires rebounded sharply following the lockdowns enforced in the spring. In this environment, the Group strengthened its positions, particularly in mature geographies and in the bicycle segment.

Aircraft tires: Sales fell sharply in 2020, dragged down by the impact of the health crisis and the related travel restrictions. During the year, Michelin pursued its research and development programs to maintain its technological leadership and offer increasingly efficient products and services.

Fenner's **conveyor belt** business generally held firm, buoyed by record sales in Australia.

In all, sales by the Specialty businesses reporting segment declined by 14.4% year on year, to €4,993 million from €5,836 million in 2019, as the resilience of the Agricultural segment and the robust performance in the Two-wheel segment failed to offset the slowdown in the Mining and Aircraft tire businesses over the year.

5.1.2 c) Changes in exchange rates for the main operating currencies

At current exchange rates, consolidated sales declined by 15.2% over the year.

The decrease included a negative €624 million currency effect, stemming primarily from the decline against the euro of a large number of currencies, including several emerging market currencies as well as the US dollar.

Average exchange rate	2020	2019	Change
Euro/USD	1.141	1.120	+1.9%
Euro/CNY	7.873	7.733	+1.8%
Euro/AUD	1.653	1.611	+2.6%
Euro/GBP	0.889	0.877	+1.4%
Euro/BRL	5.815	4.410	+31.9%
Euro/CAD	1.529	1.486	+2.9%
Euro/RUB	81.985	72.469	+13.1%
Euro/JPY	121.814	122.042	-0.2%
Euro/MXN	24.373	21.566	+13.0%
Euro/THB	35.697	34.773	+2.7%
Euro/CLP	902.095	785.316	+14.9%
Euro/TRY	7.930	6.350	+24.9%
Euro/SEK	10.480	10.580	-0.9%
Euro/TWD	33.607	34.607	-2.9%
Euro/ZAR	18.661	16.169	+15.4%
Euro/ARS	79.562	52.281	+52.2%
Euro/COP	4,195.400	3,671.670	+14.3%

Sales break down as follows by currency:

Currency	%	Currency	%
USD	36%	THB	1%
EUR	32%	CLP	1%
CNY	6%	TRY	1%
AUD	3%	SEK	0.8%
GBP	3%	TWD	0.6%
BRL	3%	ZAR	0.4%
CAD	3%	ARS	0.3%
RUB	1%	COP	0.2%
JPY	1%	Other	5.7%
MXN	1%		
TOTAL			**100%**

5.1.2 d) Sales by region

(in € millions)	2020	2020/2019	Second half 2020	First half 2020
GROUP	**20,469**	**-15.2%**	**11,112**	**9,357**
Europe	7,640	-13.6%	4,258	3,382
of which France	*1,762*	*-16.6%*	*994*	*768*
North America (incl. Mexico)	7,102	-20.2%	3,888	3,214
Other regions	5,727	-10.3%	2,965	2,761

(in € millions)	2020	% of total	2019	% of total
GROUP	**20,469**		**24,135**	
Europe	7,640	37.3%	8,847	36.7%
of which France	*1,762*	*8.6%*	*2,113*	*8.8%*
North America (incl. Mexico)	7,102	34.7%	8,902	36.9%
Other regions	5,727	28.0%	6,386	26.4%

The Group's sales decreased in every region during the year.

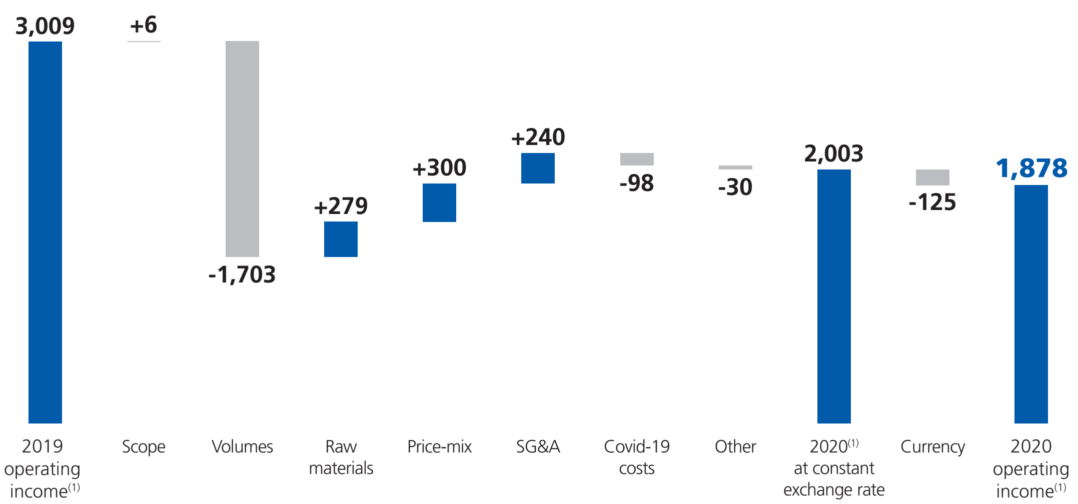
More than 60% of consolidated sales were generated outside Europe and more than 90% outside France.

5.1.3 CONSOLIDATED INCOME STATEMENT REVIEW

(in € millions, except per share data)	2020	2019	2020/2019	2020 *(as a % of sales)*	2019 *(as a % of sales)*
Sales	**20,469**	**24,135**	**-15.2%**		
Cost of sales	(14,754)	(17,053)	-13.5%	72.1%	70.7%
Gross income	**5,715**	**7,082**	**-19.3%**	**27.9%**	**29.3%**
Sales and marketing expenses	(1,197)	(1,380)	-13.3%	5.8%	5.7%
Research and development expenses	(646)	(687)	-6.0%	3.2%	2.8%
General and administrative expenses	(1,867)	(1,987)	-6.0%	9.1%	8.2%
Segment other income and expenses	(127)	(19)	+568.4%	0.6%	0.1%
Segment operating income	**1,878**	**3,009**	**-37.6%**	**9.2%**	**12.5%**
Other operating income and expenses	(475)	(318)	**+49.4%**	2.3%	1.3%
Operating income	**1,403**	**2,691**	**-47.9%**	**6.9%**	**11.1%**
Cost of net debt	(242)	(330)	-26.7%	1.2%	1.4%
Other financial income and expenses	(14)	(5)	+180.0%	0.1%	0.0%
Net interest on employee benefit obligations	(56)	(98)	-42.9%	0.3%	0.4%
Share of profit/(loss) from equity-accounted companies	(112)	(22)	+409.1%	0.5%	0.1%
Income before taxes	**979**	**2,236**	**-56.2%**	**4.8%**	**9.3%**
Income tax	(354)	(506)	-30.0%	1.7%	2.1%
Net income	**625**	**1,730**	**-63.9%**	**3.1%**	**7.2%**
▶ Attributable to the shareholders of the Company	632	1,751	-63.9%	3.1%	7.3%
▶ Attributable to the non-controlling interests	(7)	(21)	-66.7%		
EARNINGS PER SHARE *(in €)*					
▶ Basic	3.52	9.69	-63.7%		
▶ Diluted	3.51	9.66	-63.7%		

5.1.3 a) Analysis of segment operating income

(in € millions)



(1) Segment operating income.

Segment operating income amounted to €1,878 million or 9.2% of sales for the year ended December 31, 2020, compared with €3,009 million and 12.5% the year before, primarily as a result of the very steep fall-off in volumes caused by the Covid-19 health crisis.

The €1,131 million year-on-year decline reflected the combined impact of the following factors:

- a slight €6 million increase from changes in the scope of consolidation, mainly related to the inclusion of Multistrada (in March 2019) and Masternaut (in May 2019) and the disposal of BookaTable (in December 2019)[1];
- a €1,703 million decrease from the decline in volumes due to the Covid-driven collapse in worldwide demand in the first half. This included €529 million in fixed cost under-absorption, partially offset by €133 million in furlough grants;
- a €300 million increase from the very favorable price-mix effect, reflecting firm price discipline at a time of highly volatile raw material prices, exchange rates and freight costs. Over the year, the favorable mix effect was supported by sustained growth in sales of 18-inch and larger tires in the Passenger car segment and the resilience of the MICHELIN brand in Truck tires. In the Specialty businesses, however, the mix was adversely impacted by the slowdown in the Mining and Aircraft segments;
- a €279 million increase from the decline in the cost of raw materials used in production over the year, despite the sharp cost upturn observed in the fourth quarter;
- a €240 million increase from the year-on-year reduction in SG&A expenses, stemming from effective cost-cutting measures and approximately €19 million in furlough grants. These savings were partially offset by the €98 million cost of purchasing and producing masks and hand sanitizer in response to the health crisis[2];
- a €30 million decrease from other unfavorable factors, including the recognition in 2020 of the costs of repurposing the production facility in La Roche-sur-Yon, France;
- a €125 million decrease from the negative currency effect following declines in the currencies of countries hard hit by the crisis, such as Brazil, Argentina and Turkey, and the steep drop in the US dollar against the euro in the second half.

In all, segment operating income at constant exchange rates totaled €2,003 million in 2020, exceeding the guidance issued on October 22, 2019 targeting more than €1,600 million in segment operating income at constant exchange rates for the year.

Other operating income and expenses rose by €157 million year on year, to a net expense of €475 million from a net expense of €318 million in 2019. Other operating income and expenses are described in more detail in section 3.3.3 i) below and in note 9 to the consolidated financial statements.

5.1.3 b) Segment operating income

Segment information is presented according to the following three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities, as well as the Conveyor Belt and High-Technology Materials activities.

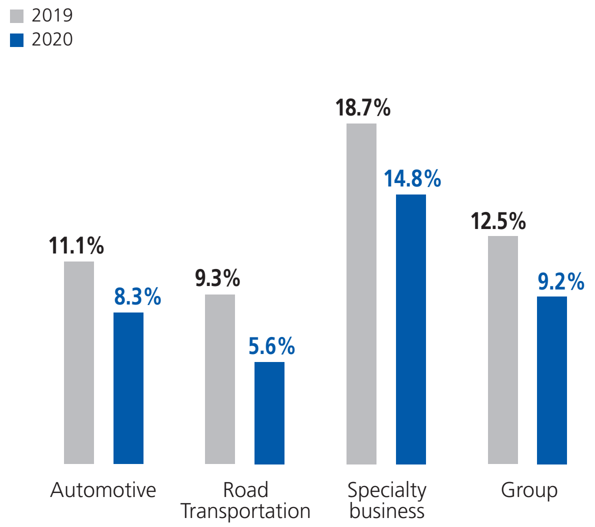
The Services & Solutions businesses are included for the most part in the "Road transportation and related distribution" segment.

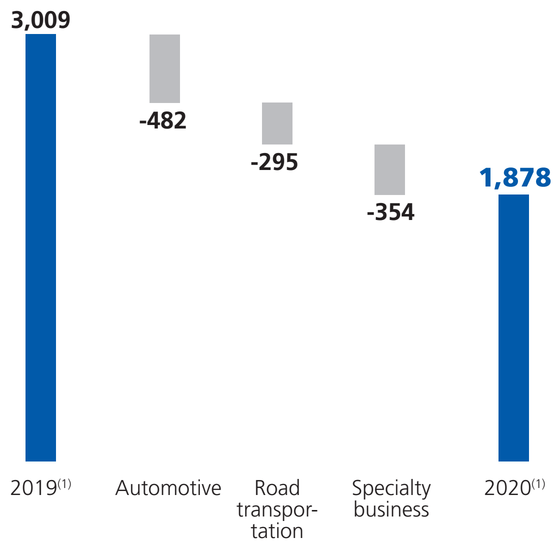
Operating segment performance is measured primarily on the basis of sales and segment operating income, calculated according to the same measurement principles used in the consolidated income statement.

(in € millions)	**2020**	**2019**	**Second half 2020**	**First half 2020**
AUTOMOTIVE AND RELATED DISTRIBUTION				
Sales	10,103	11,851	5,709	4,394
Segment operating income/(loss)	839	1,321	874	(35)
Segment operating margin	**8.3%**	**11.1%**	**15.3%**	**-0.8%**
ROAD TRANSPORTATION AND RELATED DISTRIBUTION				
Sales	5,373	6,448	2,962	2,411
Segment operating income/(loss)	302	597	332	(30)
Segment operating margin	**5.6%**	**9.3%**	**11.2%**	**-1.2%**
SPECIALTY BUSINESSES AND RELATED DISTRIBUTION				
Sales	4,993	5,836	2,441	2,552
Segment operating income	737	1,091	362	375
Segment operating margin	**14.8%**	**18.7%**	**14.8%**	**14.7%**
GROUP				
Sales	20,469	24,135	11,112	9,357
Segment operating income	1,878	3,009	1,568	310
Segment operating margin	**9.2%**	**12.5%**	**14.1%**	**3.3%**

(1) See note 4 to the consolidated financial statements for a detailed presentation of the changes in the scope of consolidation.
(2) At current parity, the cost is €96 millions.

Segment operating margin





(1) Segment operating income.

Automotive and related distribution – Analysis of segment operating income

Automotive and related distribution (in € millions)	2020	2019	2020/2019	2020 (% of consolidated total)	2019 (% of consolidated total)
Sales	10,103	11,851	-14.7%	49%	49%
Change in volumes	*-13.8%*				
Segment operating income	839	1,321	-36.5%	45%	44%
Segment operating margin	8.3%	11.1%	-2.8 pts		

Automotive segment operating income came to €839 million or 8.3% of sales, versus €1,321 million and 11.1% in 2019.

The steep decline was primarily due to the 13.8% drop in volumes caused by the contraction in the Passenger car and Light truck tire markets, which led, notably in the first half, to fixed cost under-absorption and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. These impacts were somewhat mitigated by the positive price-mix effect stemming from the Group's disciplined price management, the growing proportion of 18-inch and larger tires in the sales mix and the positive impact of lower raw material prices.

Road transportation and related distribution – Analysis of segment operating income

Road transportation and related distribution (in € millions)	2020	2019	2020/2019	2020 (% of consolidated total)	2019 (% of consolidated total)
Sales	5,373	6,448	-16.7%	26%	27%
Change in volumes	*-16.0%*				
Segment operating income	302	597	-49.4%	16%	20%
Segment operating margin	5.6%	9.3%	-3.6 pts		

Road transportation segment operating income amounted to €302 million or 5.6% of sales, compared with €597 million and 9.3% the year before.

The collapse in global demand, along with, to a lesser extent, an unfavorable geographic mix and more selective sales policies, led to a sharp 16% contraction in volumes, which fed through, mainly in the first half, to fixed cost under-absorption and a loss of industrial efficiency that was only partially offset by government-backed furlough grants. These impacts were somewhat cushioned by the relative resilience of the Services & Solutions businesses and the very robust, positive price-mix effect stemming from the Group's selective focus on value-creating market segments.

Specialty businesses and related distribution – Analysis of segment operating income

Specialty businesses and related distribution *(in € millions)*	**2020**	2019	**2020/2019**	**2020** *(% of consolidated total)*	2019 *(% of consolidated total)*
Sales	4,993	5,836	-14.4%	24%	24%
Change in volumes	*-11.7%*				
Segment operating income	737	1,091	-32.4%	39%	36%
Segment operating margin	14.8%	18.7%	-3.9 pts		

Segment operating income from the Specialty businesses amounted to €737 million or 14.8% of sales, versus €1,091 million and 18.7% the year before. With an 11.7% decline in volumes, the Specialty businesses as a whole weathered the crisis better than the Automotive and Road transportation businesses during the year.

Surface mining tires: The surface mining tire market, and therefore Group volumes, did not experience the rebound that lifted the other businesses in the second half. On the other hand, at the very end of the year Group volumes turned upwards on the first signs that the market was bottoming out. It remains to be seen, however, whether this positive trend will continue.

Agricultural and Construction tires: Group sales were lifted by the rebound in demand for Agricultural tires and tracks and Construction tires, which was especially robust in the Original Equipment segment. The Defense and Powersport businesses continued to improve in the final quarter.

Two-wheel tires: Over the full year, volumes made up almost all of the spring's precipitous drop, with market share gains, particularly in mature regions, and a sharp increase in bicycle tire sales.

Aircraft tires: Business is still being severely impacted by the health crisis and the collapse in commercial aviation demand, although it remains buoyed by the resilience of the Military and General Aviation segments.

Fenner's conveyor belt business generally held firm, thanks to record sales in Australia.

5.1.3 c) Other income statement items

Raw materials

The cost of **raw materials** reported in cost of sales has been estimated at €3.8 billion in 2020 versus €5.1 billion in 2019.

It is calculated on the basis of:

- the price and mix of the Group's raw materials purchases;
- production and sales volumes;
- the valuation of raw materials, semi-finished and finished product inventories using the weighted average cost method. This method tends to spread fluctuations in purchase costs over time and delay their recognition in cost of sales, due to timing differences between the purchase of the raw materials and the sale of the finished product;
- exchange rate movements, which correspond to (i) the impact of converting the cost of purchases made in local currencies into the consolidation currency; and (ii) an untracked residual currency effect resulting from the difference between the purchasing companies' local currency and the currency used to purchase their raw materials.

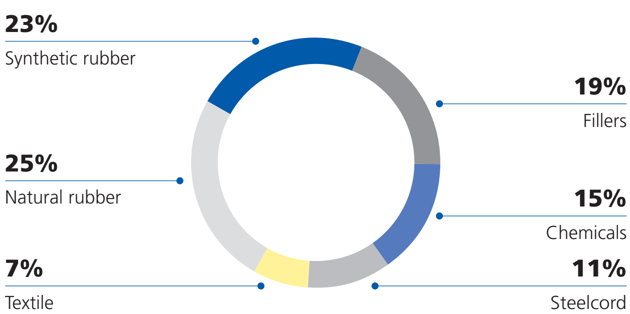
In 2020, the raw materials costs recognized in cost of sales included a €279 million favorable price impact, including the residual currency effect.

Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene.

On the basis of estimated 2020 production volumes, the sensitivity of cash purchasing outlays to fluctuations in natural rubber and oil prices is as follows:

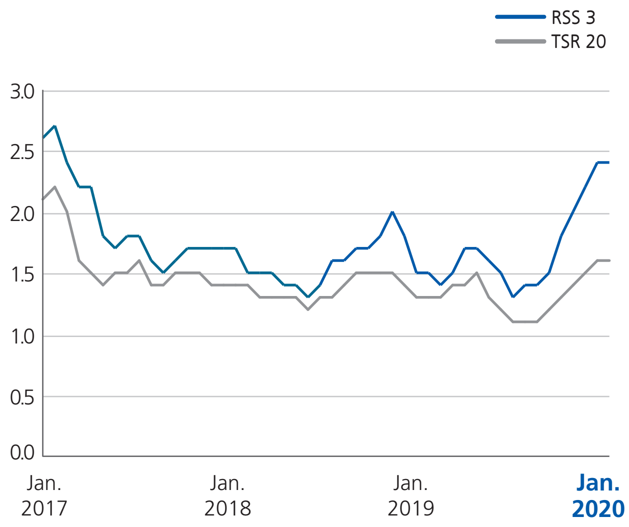
- a USD 0.10 per kg decrease in natural rubber prices would feed through to around an USD 90 million reduction in full-year purchasing costs;
- a USD 1.00 per barrel decline in oil prices would feed through to a USD 9 million decrease in full-year purchasing costs.

RAW MATERIALS RECOGNIZED IN 2020 COST OF SALES (€3.8 BILLION)

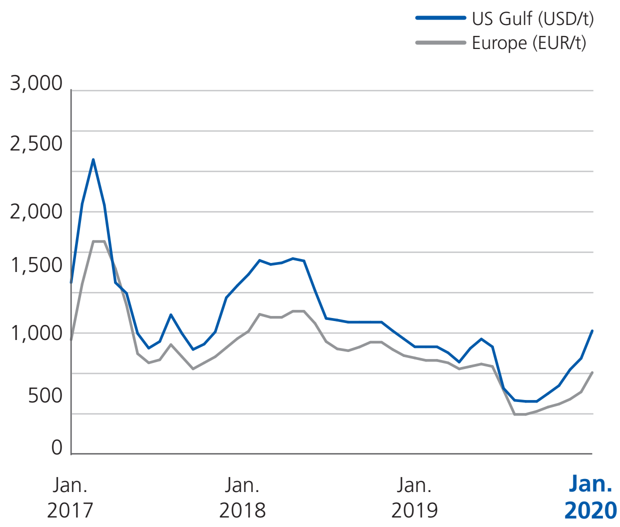


NATURAL RUBBER PRICES (SICOM)

(USD/kg)



BUTADIENE PRICES



Employee benefit costs and number of employees

At €5,996 million, **employee benefit costs** amounted to 29.3% of sales in 2020. In euro terms, they declined by €369 million year on year, including the €152 million in furlough grants received by the Group during the period. The sharp increase as a percentage of sales was attributable to the 15% fall-off in sales over the year.

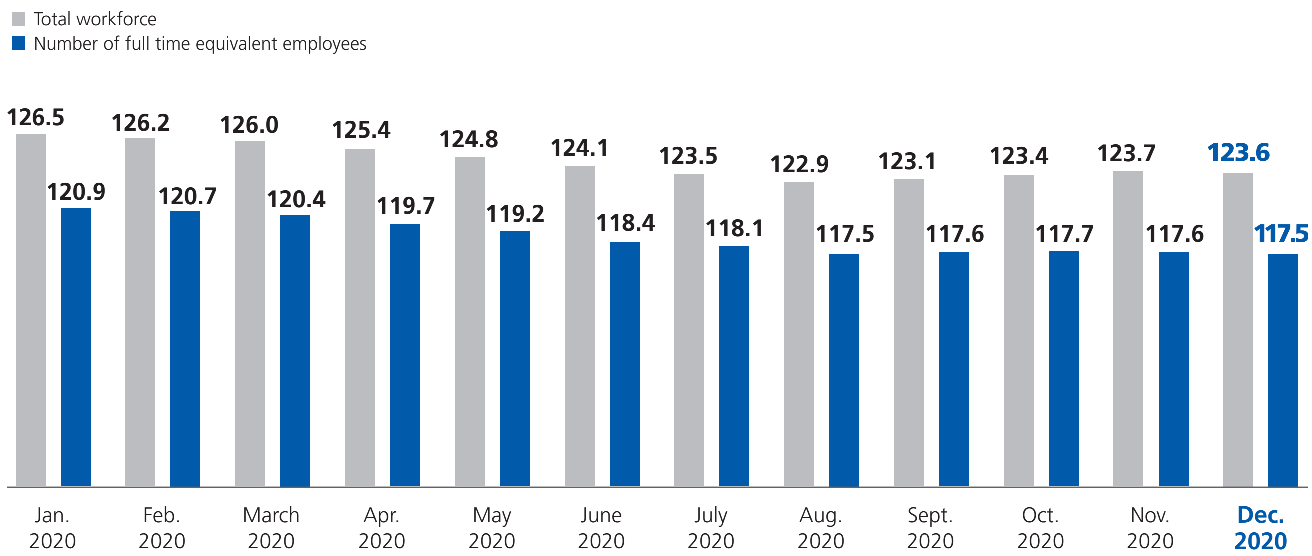
The reduction in euro terms reflected not only the support grants received by the Group but also the sustained decline in corporate and other headcount in high-cost regions during the year as operating procedures were simplified across the Group.

The amount was also reduced by the erosion against the euro of many currencies during the year, including the US dollar in particular.

In 2020, an expense of €5,970 million was recognized in segment operating income, and an expense of €26 million was recognized in other operating income and expenses. Employee benefit obligations recognized in other operating income and expenses are described in more detail in note 9.4 to the consolidated financial statements.

(in € millions and number of people)	**2020**	**2019**	**Change**
Total employee benefit costs	5,996	6,365	-5.8%
As a % of sales	*29.3%*	*26.4%*	*+2.9 pts*
Employees on payroll at December 31	123,600	127,200	-2.8%
Number of full-time equivalent employees at December 31	117,500	121,300	-3.1%
Average number of full-time equivalent employees	118,800	117,800	+0.8%

NUMBER OF EMPLOYEES
(in thousands)



Depreciation and amortization

(in € millions)	2020	2019	Change
Total depreciation and amortization	1,840	1,845	-0.3%
As a % of sales	*9.0%*	*7.6%*	

Depreciation and amortization charges edged down by €5 million to €1,840 million for the year. This relative stability primarily reflected the approximately €600 million reduction in capital expenditure compared with the budget for the year. Of the total, €1,753 million was recognized in segment operating income and €87 million in other operating income and expenses (see notes 6 and 9 to the consolidated financial statements).

Transportation costs

(in € millions)	2020	2019	Change
Transportation costs	1,095	1,232	-11.1%
As a % of sales	*5.3%*	*5.1%*	

Transportation costs came to €1,095 million or 5.3% of sales in 2020, versus 5.1% in 2019. The positive impact of productivity gains during the year was attenuated by the increase in transportation costs, particularly in the fourth quarter, due to shortages of container space on a large number of routes, particularly outbound Asia to the Americas and Europe. Exchange rate movements also helped to reduce transportation costs.

Sales and marketing expenses

Sales and marketing expenses represented 5.8% of sales in 2020, versus 5.7% in 2019. In value, they declined by €183 million to €1,197 million, led by the cost-cutting programs deployed during the year and favorable exchange rate movements.

Research and development expenses

(in € millions)	2020	2019	Change
Research and development expenses	646	687	-6.0%
As a % of sales	*3.2%*	*2.8%*	

Research and development expenses stood at €646 million, down just €41 million versus 2019 in a demonstration of the Group's commitment to maintaining its technological leadership and the sustainability of its products and services.

They represented 3.2% of sales for the year, down 0.4 point compared with 2019.

General and administrative expenses

General and administrative expenses amounted to €1,867 million, a €120 million year-on-year decrease that primarily stemmed from the cost-cutting programs deployed during the year, the sustained reduction in corporate headcount and the favorable movements in currencies, including the US dollar in particular.

They represented 9.1% of sales for the year, up 0.9 points compared with 2019.

Segment other income and expenses

Segment other operating income and expenses represented a net expense of €127 million in 2020, a €108 million year-on-year increase that was mainly attributable to the €96 million cost of purchasing and producing masks and hand sanitizer in response to the health crisis.

Other operating income and expenses

Other operating income and expenses rose by €157 million year on year, to a net expense of €475 million from a net expense of €318 million in 2019.

The increase in 2020 primarily reflected the €164 million impairment loss recognized on the Chennai plant in India, which produces truck tires for the domestic market. In response to the market's growing structural difficulties, the Group revised its growth projections for the segment served by the plant. Various initiatives to improve the plant's margins failed to deliver the hoped-for results and the carrying amount of the industrial assets was therefore written down in full.

A €37 million impairment loss was also recorded on the goodwill and intangible assets of Tablet, whose business has been particularly hard hit by the lockdowns and border closures during the year.

Other operating income and expenses also include the costs of restructuring the Dundee, La Roche-sur-Yon and Bamberg facilities, as well as the €87 million in amortization of acquired trademarks and customer relationships in 2020, recognized in particular on the consolidation of Fenner and Camso.

Other operating income and expenses are described in more detail in note 9 to the consolidated financial statements.

Cost of net debt

(in € millions)	2020	2019	Change
Cost of net debt	242	330	-88

At €242 million, the **cost of net debt** was down €88 million compared with 2019, primarily as a result of the following factors:

- a €61 million decrease in net interest expense to €238 million, reflecting the net impact of:
  - a €24 million increase due to the €593 million rise in average gross debt during the year,
  - a €90 million decrease from the decline in the average gross interest rate on borrowings to 2.9% in 2020 from 4.0% in 2019,
  - an aggregate €5 million net increase from other factors;
- a €26 million decrease in losses on exchange rate derivatives, mainly due to the around 1.5-point decline in three-year US dollar interest rates and EUR/USD exchange rate change;
- an aggregate €1 million net decrease from movements in other factors.

Other financial income and expenses

(in € millions)	2020	2019	Change
Other financial income and expenses	14	5	+9

Other financial income and expenses represented a net expense of €14 million in 2020, a €9 million year-on-year increase caused mainly by currency movements[1].

(1) Note 10 to the consolidated financial statements.

Income tax

(in € millions)	**2020**	**2019**	**Change**
Income before taxes	979	2,236	-1,257
Income tax	**(354)**	**(506)**	**-152**
Current tax	(314)	(492)	-178
Withholding tax	(37)	(56)	-19
Deferred tax	(3)	42	+45

Income tax amounted to €354 million in 2020, a €152 million year-on-year decrease that was mostly attributable to the steep decline in income before taxes. The €314 million in current tax recognized for the year corresponds to the income tax payable by the Group's profit-making companies.

The effective tax rate for 2020 was 36.2%, versus 22.6% the year before.

Consolidated net income and earnings per share

(in € millions)	**2020**	**2019**	**Change**
Net income	625	1,730	-1,105
As a % of sales	*3.1%*	*7.2%*	*-4.1 pts*
▶ Attributable to the shareholders of the Company	632	1,751	-1,119
▶ Attributable to the non-controlling interests	(7)	(21)	
EARNINGS PER SHARE *(in €)*			
▶ Basic	3.52	9.69	-6.17
▶ Diluted	3.51	9.66	-6.15

Net income came to €625 million, or 3.1% of sales, compared with €1,730 million in 2019.

The €1,105 million decline reflected the following factors:

- unfavorable factors:
  - the €1,131 million decline in segment operating income,
  - the €157 million increase in net other operating expense,
  - the €90 million decline in the Group's share of profit from equity-accounted companies, of which a €39 million impairment loss recognized on a wholesaling company and a €28 million non-recurring gain recognized in 2019;
- favorable factors:
  - the €121 million decline in net financial expense, led by the €88 million reduction in the cost of net debt,
  - the €152 million decrease in income tax expense.

5.1.4 CONSOLIDATED BALANCE SHEET REVIEW

To improve the readability of the consolidated financial statements, right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position.

Methodological note: translation adjustments primarily stem from the translation into euros of prior-year assets and liabilities at the closing exchange rate.

Assets

(in € millions)	December 31, 2020	December 31, 2019[1]	Total change	Translation adjustments	Movement
Goodwill	2,136	2,388	-252	-237	-15
Intangible assets	1,980	2,280	-300	-124	-176
Property, plant and equipment	10,821	12,042	-1,221	-690	-531
Right-of-use assets	1,083	1,127	-44	-57	+13
Non-current financial assets and other non-current assets	865	796	+69	-19	+88
Investments in equity-accounted companies	941	1,087	-146	-58	-88
Deferred tax assets	729	814	-85	-27	-58
Non-current assets	**18,555**	**20,534**	**-1,979**	**-1,212**	**-767**
Inventories	3,959	4,694	-735	-270	-465
Trade receivables	3,018	3,532	-514	-175	-339
Current financial assets	429	396	+33	-4	+37
Other current assets	929	1,055	-126	-19	-107
Cash and cash equivalents	4,747	1,466	+3,281	-42	+3,323
Current assets	**13,082**	**11,143**	**+1,939**	**-509**	**+2,448**
TOTAL ASSETS	**31,637**	**31,677**	**-40**	**-1,721**	**+1,681**

(1) The 2019 figures have been adjusted for comparison purposes (see note 2.7 to the consolidated financial statements).

Equity and liabilities

(in € millions)	December 31, 2020	December 31, 2019[1]	Total change	Translation adjustments	Movement
Share capital	357	357	0		0
Share premiums	2,746	2,789	-43		-43
Reserves	9,530	10,080	-550	-977	+427
Non-controlling interests	(2)	3	-5	+1	-6
Total equity	**12,631**	**13,229**	**-598**	**-976**	**+378**
Non-current financial liabilities	6,169	5,026	+1,143	-32	+1,175
Non-current lease liabilities	801	897	-96	-44	-52
Provisions for employee benefit obligations	3,700	3,873	-173	-100	-73
Provisions and other non-current liabilities	775	1,104	-329	-31	-298
Deferred tax liabilities	425	455	-30	-27	-3
Non-current liabilities	**11,870**	**11,355**	**+515**	**-234**	**+749**
Current financial liabilities	1,546	932	+614	-223	+837
Current lease liabilities	222	226	-4	-11	+7
Trade payables	2,291	2,627	-336	-122	-214
Trade payables under reverse factoring agreements	437	470	-33	-30	-3
Provisions and other current liabilities	2,640	2,838	-198	-129	-69
Current liabilities	**7,136**	**7,093**	**+43**	**-515**	**+558**
TOTAL EQUITY AND LIABILITIES	**31,637**	**31,677**	**-40**	**-1,725**	**+1,685**

(1) The 2019 figures have been adjusted for comparison purposes (see note 2.7 to the consolidated financial statements).

5.1.4 a) Goodwill

Goodwill before translation adjustments was down €15 million from December 31, 2019, as the first-time recognition of €32 million in goodwill on a group of companies acquired in 2020, whose individual goodwill was deemed immaterial, was more than offset by the €13 million reduction in the preliminary goodwill recognized on Multistrada and the aggregate €33 million in impairment losses recorded during the year (of which the €18 million write-down of Tablet goodwill[1]). The other impairment losses recognized on goodwill concerned companies whose individual goodwill did not exceed €5 million and was therefore not deemed material.

Impairment tests were performed using a scenario based on assumptions concerning global gross domestic product (GDP). A return to 2019 business levels is expected in the second half of 2022. The resulting future cash flow estimates were used to calculate the value in use of the different CGUs and groups of CGUs.

Moreover, in light of the current health situation, sensitivity tests were performed on the business assumptions to assess the risks that could arise should the crisis persist. These tests showed that if the business recovery were delayed by a year and the perpetual growth rate were reduced by 100 basis points (to 0.5% from 1.5%), the resulting impairment losses would be limited to €75 million[2].

5.1.4 b) Intangible assets

Intangible assets stood at €1,980 million for the year, a €176 million decline from December 31, 2019 (before the negative €124 million translation adjustment). The decrease stemmed from the amortization of other intangible assets (of which €87 million in the amortization of acquired trademarks and customer relationships and €17 million in impairment losses on Tablet intangible assets), which together more than offset the net €11 million increase in software-related assets[3].

5.1.4 c) Property, plant and equipment

Property, plant and equipment ended 2020 at €10,821 million, a €531 million decrease (before the negative €690 million translation adjustment) that reflected the scale-back of capital expenditure during the year in response to the major health crisis[4]. Additions to property, plant and equipment amounted to €1,041 million for the year, compared with €1,594 million in 2019[5].

5.1.4 d) Right-of-use assets

Beginning in 2020, **right-of-use assets** have been recognized separately from property, plant and equipment. They amounted to €1,083 million at December 31, 2020, up €13 million year on year (before the negative €57 million translation adjustment), due to the fact that new leases were more or less in line with amortization charges for the year.

5.1.4 e) Non-current financial assets and other non-current assets

Non-current financial assets and other non-current assets ended the year at €865 million, an €88 million increase (before the negative €19 million translation adjustment) that primarily reflected the matching contribution paid into the employee benefits fund in the United Kingdom, as well as fair value adjustments to derivative instruments.

5.1.4 f) Investments in equity-accounted companies

Excluding the negative €58 million translation adjustment, **investments in equity-accounted companies** declined by €88 million over the year to €941 million. This decrease was mainly due to the €73 million in losses incurred by these companies for the year[6].

5.1.4 g) Deferred tax assets and liabilities

At December 31, 2020, the Group held a net **deferred tax** asset of €304 million, representing a year-on-year increase of €56 million before translation adjustments. The reduction in net deferred taxes was due mainly to the change in taxes recorded in other comprehensive income in respect of post-employment benefit obligations[7].

In 2020, the €41 million net change in unrecognized deferred tax assets primarily reflects temporary differences arising in China[8].

(1) See 5.1.3 c) Other operating income and expenses.
(2) Note 13.1 to the consolidated financial statements.
(3) See 5.1.3 c) Other operating income and expenses.
(4) For more details on the measures put in place during the crisis, please refer to the section on the impact of Covid-19 in the introduction of this chapter.
(5) Note 31 to the consolidated financial statements.
(6) Note 17.1 to the consolidated financial statements.
(7) Note 18.1 to the consolidated financial statements.
(8) Note 11.1 to the consolidated financial statements.

5.1.4 h) Trade working capital

(in € millions)	December 31, 2020	December 31, 2019	Change	2020 (as a % of sales)	2019 (as a % of sales)
Inventories	3,959	4,694	-735	19.3%	19.4%
Trade receivables	3,018	3,532	-514	14.7%	14.6%
Trade payables	(2,291)	(2,627)	+336	-11.2%	-10.9%
Reverse factoring contracts	(437)	(470)	+33	-2.1%	-1.9%
TRADE WORKING CAPITAL	**4,249**	**5,129**	**-880**	**20.8%**	**21.3%**

As a percentage of sales, **trade working capital** declined by 0.5 points over the year, to 20.8% from 21.3% at end-2019. In euro terms, this represented a €587 million decrease (before the negative €293 million translation adjustment), which was mainly attributable to the sharp €465 million reduction in inventories (before translation adjustments).

At €3,959 million, **inventories** represented 19.3% of sales at year-end, versus €4,694 million and 19.4% in 2019. Before the negative €270 million translation adjustment, this corresponded to a €465 million decrease for the year.

In the first half of 2020, as global demand collapsed due to the spread of the Covid-19 pandemic[(1)], the Group implemented measures to carefully manage output and inventories, so as to conserve its cash. As of June 30, consolidated inventories were relatively low, at 19.9% of sales, versus 22.0% a year earlier[(2)].

Early in the summer, the stronger-than-expected rebound in demand prompted the Group to restore full-capacity production, in compliance with strict employee health and safety protocols. During the second half, robust sales[(3)] meant that the Group was unable to rebuild inventories, which ended the year at an exceptionally low level.

At end-2020, inventories (19.3% of sales) were slightly lower than at year-end 2019 (19.4%), which already represented a low point (21.3% in 2018), reflecting the difficult market conditions in the final quarter and the expectation that 2020 would be a lackluster year.

Another factor reducing the value of inventories in 2020 was the year-on-year decline in raw material costs.

Trade receivables stood at €3,018 million, unchanged from year-end 2019, at 14.7% of sales versus 14.6%. This stability reflected both the highly disciplined management of settlement periods granted during the year and the economic support measures implemented by most of the world's governments. This helped to avoid an unusual increase in past-due receivables, which were also unchanged for the year[(4)].

Trade payables, including those **covered by reverse factoring contracts,** ended the year at €2,728 million, or 13.3% of sales, up 0.5 points from December 31, 2019. In value, they declined by €217 million, primarily due to the reduction in capital expenditure over the year.

5.1.4 i) Cash and cash equivalents

Cash and cash equivalents stood at €4,747 million, up €3,323 million year on year, before translation adjustments, as a result of the following main factors:

- increases from:
  - the €2,004 million in free cash flow, lifted by the nearly €600 million reduction in capital expenditure compared with the projected budget for the year and the highly favorable change in trade working capital following the steep reduction in inventories over the year,
  - the €1,784 million in new debt, including the €1.5 billion in bonds issued in October 2020 and a €645 million increase in commercial paper outstandings over the year; €352 million in various repayments, of which €245 million in repayments of lease liabilities;
- decreases from:
  - the payment of €368 million in dividends and profit shares,
  - the €44 million in equity-related movements, of which €99 million in share buybacks and €55 million in new shares purchased by employees as part of the Bib'Action 2020 program[(5)];
  - other unfavorable factors in an amount of €53 million.

(1) For a more detailed analysis of demand over the year, please refer to section 5.1.1 Tire Markets above.
(2) See the 2020 First-Half Financial Report, section 3.4.7 Trade working capital requirement.
(3) For a more detailed analysis of sales by reporting segment, please refer to section 5.1.2 Sales above.
(4) Note 20 to the consolidated financial statements.
(5) Note 28.3 to the consolidated financial statements.

5.1.4 j) Equity

Including the negative €976 million in translation adjustments, **total equity** decreased by €598 million over the year to represent €12,631 million at December 31, 2020, primarily due to the following factors:

- increases:
  - €55 million in new shares purchased by employees, in particular as part of the Bib'Action 2020[1] employee share ownership plan,
  - €14 million in service costs on performance share-based payment plans,
  - €4 million in other favorable items;
- decreases:
  - the €204 million comprehensive loss for the year, including:
    - €625 million in net income,
    - the €112 million favorable impact of actuarial gains and losses,
    - the €976 million negative impact from the translation of foreign currencies,
    - the €16 million favorable impact from currency hedges, including hedges of US dollar-denominated convertible bond issues,
    - an aggregate €19 million net increase from other factors;
  - €368 million in dividends and other distributions;
  - €99 million in share buybacks under the shareholder-approved program.

At December 31, 2020, the **share capital** of Compagnie Générale des Établissements Michelin stood at €356,680,172, comprising 178,340,086 shares outstanding corresponding to 243,584,598 voting rights.

5.1.4 k) Net debt

Net debt stood at €3,531 million at December 31, 2020, down €1,653 million from December 31, 2019, primarily as a result of the following factors:

- €1,564 million in net cash flow, which breaks down into five items:
  - €2,004 million in free cash flow for the period,
  - €368 million in distributions, of which €357 million in dividends,
  - €99 million in share buybacks,
  - €55 million in new shares purchased by employees, of which €31 million had been received by the end of the year,
  - €4 million in other outlays;
- €89 million in other non-cash factors decreasing net debt, of which:
  - a €211 million increase from the recognition of new leases,
  - a €262 million decrease from translation adjustments;
  - €38 million in other factors decreasing net debt.

CHANGES IN NET DEBT

(in € millions)	2020	2019
At January 1	**5,184**	**4,056**
Free cash flow[1] before M&A	-2,043	-1,606
Investments in new ventures	40	423
Financing of joint ventures and associates	-1	41
Free cash flow[1]	**-2,004**	**-1,142**
Distributions and other	+368	+676
Share buybacks	+99	+141
Employee share issue – Bib'Action	-31	-
First-time application of IFRS 16	-	+815
New finance leases	+211	+217
Change in scope of consolidation	-8	+249
Translation adjustment	-262	+165
Other	-26	+7
AT DECEMBER 31	**+3,531**	**+5,184**
CHANGE	**-1,653**	**+1,128**

(1) Free cash flow corresponds to cash flows from operating activities less cash flows used in investing activities, adjusted for net cash flows used in cash management instruments and loan guarantees.

Gearing

Gearing declined to 28% at December 31, 2020 from 39% at year-end 2019, primarily due to the very strong free cash flow resulting from the steep reduction in inventories[2], the major scale-back in capital expenditure over the year[3] and the slowdown in the equity investment program.

(1) Note 28.3 to the consolidated financial statements.
(2) Inventories declined by €735 million in 2020, to €3,959 million at year-end from €4,694 million at December 31, 2019.
(3) Capital expenditure totaled €1,221 million in 2020, compared to the around €1,800 million budgeted at the beginning of the year.

Credit ratings

The solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM) and Compagnie Financière Michelin SCmA (CFM) are as follows:

		CGEM	CFM
Short term	Standard & Poor's	A-2	A-2
	Fitch Ratings	F2	P-2
Long term	Standard & Poor's	A-	A-
	Fitch Ratings	A-	A3
Outlook	Standard & Poor's	Stable	Stable
	Fitch Ratings	Stable	Stable

On May 19, 2020, Standard & Poor's affirmed Michelin's short-term A-2 and long-term A- credit ratings, while revising the outlook from stable to negative before raising it back up to stable again on December 21.

On May 29, 2020, Fitch Ratings affirmed Michelin's short-term F2 and long-term A- credit ratings, as well as its stable outlook.

Moody's, whose rating is no longer solicited as of July 1, 2020, affirmed the long-term credit ratings of CGEM and CFM on May 14, 2020, as well as its stable outlook:

	CGEM	CFM
Long term	A3	A3
Outlook	Stable	Stable

5.1.4 l) Provisions

Provisions and other non-current liabilities amounted to €775 million, versus €1,104 million at December 31, 2019. Excluding the negative €31 million translation adjustment, they declined by €298 million year on year, primarily due to the fulfillment of Group commitments undertaken as part of the reorganization and adaptation of its activities in Europe.

5.1.4 m) Employee benefits

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € millions)	Pension plans	Other defined benefit plans	2020	2019
At January 1	**1,931**	**1,897**	**3,828**	**3,858**
Translation adjustments	(20)	(74)	(94)	44
Contributions paid to the funds	(142)	-	(142)	(192)
Benefits paid directly to the beneficiaries	(35)	(111)	(146)	(139)
Change in scope of consolidation	-	-	-	8
NET COST RECOGNIZED IN OPERATING EXPENSES				
Current service cost	40	75	115	111
Actuarial (gains) or losses recognized on other long-term benefit obligations	-	1	1	5
Past service cost resulting from the introduction of new plans or plan amendments	-	(2)	(2)	(68)
Past service cost resulting from plan curtailments	1	4	5	(30)
Effect of any plan settlements	9	-	9	(10)
Other items	6	-	6	13
NET COST RECOGNIZED IN OPERATING EXPENSES				
Net interest on net defined benefit obligation (asset)	22	32	54	97
COSTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME				
Actuarial (gains) or losses	(186)	41	(145)	174
Unrecognized assets due to the effect of the asset ceiling	-	-	-	(43)
NET OBLIGATION AT DECEMBER 31	**1,626**	**1,863**	**3,489**	**3,828**

The net defined benefit obligation recognized at December 31, 2020 stood at €3,489 million, a year-on-year decrease of €339 million as reported and of €245 million excluding the €94 million negative currency effect (stemming primarily from the decline in the US dollar, the Canadian dollar and the pound sterling against the euro).

The decline in the net defined benefit obligation reflected the following main factors:

- the total €288 million in contributions and benefits paid in 2020 (2019: €331 million), of which:
  - €142 million in contributions paid to fund management institutions (2019: €192 million),
  - €146 million in benefits paid directly to employees (2019: €139 million);
- a €134 million expense recognized in operating income in 2020 (2019: €21 million) that primarily resulted from the €131 million cost of defined benefit plans (2019: €119 million);
- the €54 million in net interest expense on the net defined benefit obligation, recognized outside of operating income (2019: €97 million);
- the €145 million in actuarial gains recorded in 2020 (2019: actuarial losses of €174 million), which corresponded to:
  - €538 million in actuarial losses on defined benefit obligations, resulting mainly from reductions in discount rates,
  - €685 million in actuarial gains on plan assets, due to the fact that the actual rate of return on plan assets was higher than the discount rate.

In addition, contributions paid by the Group to defined contribution plans amounted to €217 million in 2020 (2019: €226 million). The expense recognized in respect of defined contribution plans amounted to €217 million in 2020, down €9 million compared with 2019.

5.1.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

5.1.5 a) Cash flow from operating activities

(in € millions)	2020	2019	Change
Segment EBITDA	**3,631**	**4,763**	**-1,132**
Change in net inventories	552	147	405
Change in net trade receivables	92	-81	173
Change in net trade payables	-19	-135	116
Restructuring cash costs	-206	-172	-34
Other changes in provisions	-185	-240	55
Tax and interest paid	-580	-944	364
Other	81	-17	98
NET CASH FROM OPERATING ACTIVITIES	**3,366**	**3,321**	**45**

At €3,631 million, segment **EBITDA** was down €1,132 million year on year, reflecting the €1,131 million decline in segment operating income over the year, with depreciation and amortization charges holding steady compared with 2019.

Net cash from operating activities rose by €45 million to €3,366 million for the year, as the €1,132 million decline in EBITDA was more than offset by the impact of cash management initiatives undertaken during the year, of which:

- a €694 million increase from the decline in trade working capital;
- a €364 million increase from the reduction in tax and interest paid;
- an aggregate €119 million increase from other factors, including a €55 million reduction in provisions.

Restructuring-related outlays rose by €34 million in 2020, primarily due to the plant closures in Dundee, Scotland and La Roche-sur-Yon, France.

5.1.5 b) Capital expenditure

(in € millions)	2020	2019	2020/2019	2020 *(as a % of sales)*	2019 *(as a % of sales)*
Additions to intangible assets and PP&E	**1,221**	**1,801**	**-580**	**6.0%**	**7.5%**
Investment grants received and change in capital expenditure payables	148	(19)	+167	0.7%	(0.1%)
Proceeds from sales of intangible assets and PP&E	(46)	(67)	+21	(0.2%)	(0.3%)
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**1,323**	**1,715**	**-392**	**6.5%**	**7.1%**

Additions to intangible assets and property, plant and equipment amounted to €1,221 million in 2020, compared with €1,801 million in 2019. On April 29, 2020, the Group announced that to conserve cash, capital expenditure would be reduced by €500 million from the approximately €1.8 billion initially budgeted for the year.

This corresponded to a €580 million decrease from 2019. In particular, the reduction included scale-backs in capital projects to increase capacity at a time of sharply slower growth in worldwide tire demand. However, projects to improve competitiveness, safety and environmental performance were maintained, as well as outlays for certain technological innovation projects associated with the Group's strategic expansion in high-tech materials and in services and solutions.

By Business Line, the main capital projects completed during the year or still underway as part of competitiveness, product line renewal and growth investment programs are as follows:

Automotive tires:

- in Mexico;
- in China;
- in Thailand.

Road transportation tires:

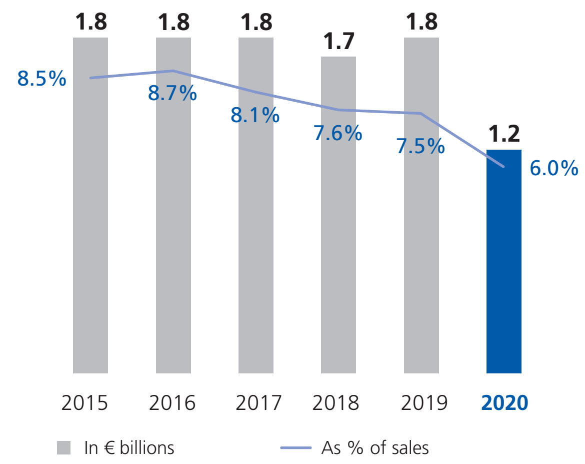
- in Thailand.

Specialty products:

- Mining tires;
- Two-wheel tires.

All of these capital projects were supported by the commitments presented below.

CAPITAL EXPENDITURE
(in € billions)



Note that the Group's financing depends on its ability to generate cash flow as well as on market opportunities. As a result, there is generally no direct link between financing sources and capital expenditure projects.

5.1.5 c) Available cash flow and free cash flow

Available cash flow corresponds to cash flow from recurring operating activities, *i.e.*, after routine capital expenditure but before competitiveness, growth and new-venture investments.

Free cash flow, which is stated before dividend payments and financing transactions, corresponds to net cash from operating activities less net cash used in investing activities, adjusted for net cash flows relating to cash management financial assets and borrowing collaterals.

(in € millions)	2020	2019
Net cash from operating activities	**3,366**	**3,321**
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(722)	(1,096)
AVAILABLE CASH FLOW	**2,644**	**2,225**
Competitiveness and growth investments	(355)	(523)
Investments in new ventures	(144)	(181)
Acquisitions	(39)	(464)
Other	(102)	85
FREE CASH FLOW	**2,004**	**1,142**

After deducting €722 million in routine capital expenditure, available cash flow was strongly positive in 2020, at €2,644 million.

Free cash flow was positive, at €2,004 million, after outlays of €355 million in competitiveness and growth investments and €144 million in investments in new ventures. The €40 million in acquisitions primarily concerned purchases of controlling interests that were individually not material[1].

(1) See section 5.1.4 k).

5.1.5 d) Structural free cash flow

To track its intrinsic performance, Michelin has set targets based on its structural free cash flow, which is defined as free cash flow before acquisitions and adjusted for the impact of movements in raw materials prices on trade receivables, trade payables and inventories.

With a €2,010 million in structural free cash flow in 2020, the Group met the guidance issued on October 22, 2019 targeting more than €1,200 million in structural free cash flow for the year.

	2020	2019
FREE CASH FLOW	**2,004**	**1,142**
Acquisitions	39	464
FREE CASH FLOW EXCLUDING ACQUISITIONS & DISPOSALS	**2,043**	**1,606**
Impact of raw materials costs on working capital	-33	9
STRUCTURAL FREE CASH FLOW	**2,010**	**1,615**

5.1.6 RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE is a ratio that measures the profitability of the capital employed by the Group. Monitored by the Group throughout implementation of its 2016-2020 plan, the ratio was calculated as:

- net operating profit after tax (NOPAT), calculated at a standard tax rate of 25% in 2020 and 26% in 2019, corresponding to the Group's average effective tax rate;
- divided by the average economic assets employed during the year (excluding equity-accounted companies), *i.e.*, all of the Group's intangible assets (excluding acquired intangible assets), property, plant and equipment, loans and deposits, and net working capital.

Non-euro currencies are translated at year-end rates for balance sheet items and average rates for income statement items.

If ROCE is greater than weighted average cost of capital (WACC) for the year, then the Group has created value during the period.

The Group's weighted average cost of capital (WACC) is estimated at 7.5%, it is based on a theoretical balance between equity and debt. WACC is benchmarked externally. The rates used are determined (i) for equity capital, based on the yield on Michelin shares expected by the stock markets; and (ii) for debt capital, on the market risk-free rate plus the risk premium applied to Michelin by the markets, as adjusted for the tax effect.

(in € millions)	2020	2019
Segment operating income	1,878	3,009
Average standard income tax rate used for ROCE calculation	25%	26%
Segment operating income after tax (NOPAT)	**1,408**	**2,227**
Economic assets at December 31	15,505	17,430
Average economic assets	**16,459**	**16,233**
ROCE (2016 - 2020 plan)	**8.6%**	**13.7%**
Passenger car/Light truck tires & related distribution ROCE	7.6%	12.2%
Truck tires & related distribution ROCE	5.1%	10.8%
Specialty businesses & related distribution ROCE	14.6%	19.5%

As from 2021, ROCE will be measured by the Group by adding back amortization of acquired intangible assets and profit from equity-accounted companies to the numerator and goodwill, acquired intangible assets and investments in equity-accounted companies to economic assets in the denominator.

For information, ROCE calculated according to this new method stood at 6.0% in 2020 versus 10.0% in 2019.

5.1.7 TREND INFORMATION

5.1.7 a) Outlook

In 2021, in a still highly uncertain environment due to the unfolding health crisis, Passenger car and Light truck tire markets are expected to expand by 6% to 10% over the year, Truck tire markets by between 4% and 8%, and the Specialty markets by 8% to 12%. Based on this scenario, the Group expects to grow in line with the markets.

Considering the raw materials prices and exchange rates observed in early 2021, the Group also anticipates that these factors will have a negative impact on its 2021 results. Further enhancement of its mix and disciplined implementation of its pricing policy are nevertheless expected to have a positive impact on the Group's results, to a slightly larger extent than the impact expected on raw materials (including customs duties).

In light of the above factors, and barring any new systemic impact from Covid-19[1], Michelin's objectives are to deliver full-year segment operating income in excess of €2.5 billion at constant exchange rates and structural free cash flow of around €1 billion.

This outlook has been established and prepared on a basis comparable to historical financial information and in accordance with the accounting methods described following this chapter.

5.1.7 b) Recent events

Simplification and competitiveness project to support developments in the Group's operations in France

On January 6, 2021, the Group announced that it was deploying a more extensive simplification and competitiveness plan that will significantly improve the agility and performance of its manufacturing and office-based operations in France.

The plan, which is part of a broader co-construction and social dialogue process, will be supported by the negotiation of a three-year framework agreement that will not entail any layoffs or plant closures.

The Group reaffirms its growth ambitions in France, to consolidate its positioning in premium and specialty tires while continuing to base new high value-added businesses in the country, particularly in the services, sustainable materials, energy transition and recycling segments.

The Group expects to improve its competitiveness by up to 5% a year in the corporate and administrative activities and by up to 5% a year in the manufacturing operations, which may vary depending on the plant's operations and competitive environment. This could mean position reductions of up to 2,300 over the next three years (up to 1,100 in the offices and up to 1,200 in the plants). Nearly 60% of the projected separations would be based on early retirement opportunities and the remainder on Group-supported voluntary severances. For every job eliminated, Michelin is committed to help to create another, either through the development of its new businesses or through its participation in local job market revitalization programs, within a realistic timeframe.

As of the date when the Group's consolidated financial statements were approved for publication, the project's final cost and terms had not yet been determined and no provision was recorded. Decisions will be regularly made and announced by the Group, based on identified needs and progress observed on projects.

No other significant event occurred between the reporting date and the date when the Managing Chairman approved the consolidated financial statements for publication.

5.1.8 HIGHLIGHTS

5.1.8 a) Strategy

Michelin plant in La Roche-sur-Yon, France – Agreement signed by a majority of employee representatives for an employee support program

(January 23, 2020) – The proposed support program for employees at the Michelin plant in La Roche-sur-Yon, France has been signed by the CFDT, CFE-CGC, SUD and FO trade unions. The agreement is aligned with the commitments undertaken by the Michelin Group when the closure was announced on October 10, 2019 and should enable every employee impacted by the decision to plan for their future careers with greater peace of mind.

MICHELIN Guide France 2020 celebrates sustainable gastronomy with a new green star pictogram

(January 27, 2020) – In line with its "All Sustainable" vision, Michelin has introduced a new "sustainable gastronomy" selection in a commitment to highlighting chefs who are concerned with preserving the environment. In this way, the MICHELIN Guide will become an enabler of faster change and a showcase for best practices around the world.

(1) *Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.*

Covid-19: Michelin mobilizes to fight the pandemic

(April 2020) – As soon as the pandemic emerged, Michelin deployed a wide range of initiatives to protect employee health and maintain business continuity. The Group also mobilized all of its teams' capacity for innovation by deploying their research expertise in such areas as materials, manufacturing and scientific intelligence to develop, produce and deliver several types of masks, in large quantities and within extremely short timeframes. Michelin has also launched the production of sterilizable polycarbonate face shields for hospital caregivers. Lastly, the Group is involved in many other projects, such as medical device components, patient-positioning cushions and hand sanitizer.

All of these solutions are described in more detail in the introduction to the Report of the Managers.

Michelin's CO_2 reduction targets approved by the SBTi

(May 21, 2020) – The international Science Based Targets initiative (SBTi[1]), a leading independent organization, has approved Michelin's CO_2 reduction targets. This milestone corroborates the effectiveness of Michelin's environmental initiatives, undertaken in particular to fight against global warming in line with the COP21 Paris Climate Agreement. It also paves the way to achieving net zero emissions in all of the Group's plants by 2050.

Creation of a Corporate Social Responsibility Committee (CSRC) of the Supervisory Board and governance changes

(June 24, 2020) – At the meeting held immediately after the Annual Shareholders Meeting on June 23, 2020, the Supervisory Board of Compagnie Générale des Établissements Michelin decided to create a new Corporate Social Responsibility Committee (CSRC), which will comprise three independent Supervisory Board members, Monique Leroux (Chair), Anne-Sophie de La Bigne, and Jean-Michel Severino.

Michelin is working to speed the energy transition

(July 2020) – By joining the Coalition for the Energy of the Future and pledging to support the European Clean Hydrogen Alliance, Michelin is focusing on collective intelligence as a critical vector in its drive to reach carbon neutrality by 2050. Today, the Coalition brings together 11 international corporations in a shared commitment to addressing the challenges posed by sustainable mobility in the transportation and logistics industry. The Clean Hydrogen Alliance is dedicated to enabling the EU to reach carbon neutrality by 2050.

Michelin launches a global employee share ownership plan

(September 14, 2020) – Compagnie Générale des Établissements Michelin has announced the launch of a new employee share ownership plan giving Michelin employees the opportunity to purchase new shares of Company stock on preferential terms. The plan also offers employees an opportunity to deepen their stake in the Group's growth and expansion.

Michelin rolls out a new brand campaign

(September 15, 2020) – The new campaign showcases a range of mobility solutions designed to meet everyone's need for safer, cleaner, more enjoyable travel, everywhere around the world. As noted by Florent Menegaux, Chairman of the Michelin Group, "this is a critical investment for the brand's future and a way for us to support the recovery in both the Group's operations and the global economy." Rolled out in China, France and Germany in September, it will gradually be extended to a broader range of countries.

Michelin signs a €2.5-billion multi-currency revolving credit facility

(October 19, 2020) – Compagnie Générale des Établissements Michelin has arranged a new €2.5 billion multi-currency revolving credit facility with a group of 19 banks. Described as a back-up facility, it has been increased, along with the euro commercial paper program, in response to the Group's expansion. The facility includes a CSR clause that links its pricing to a set of sustainability performance targets that are material to the Group's businesses and important to its stakeholders: (i) the engagement rate of the Group's employees; (ii) the reduction in its Scope 1&2 greenhouse gas emissions; and (iii) the reduction in the environmental impact of its production plants.

Capital reduction – Cancellation of 1,097,540 treasury shares

(October 20, 2020) – Compagnie Générale des Établissements Michelin has decided to cancel 1,097,540 treasury shares, representing 0.61% of the total shares outstanding. The effective date of the resulting capital reduction was October 20, 2020, as indicated in the Euronext notice dated October 16, 2020. Following the capital reduction, the Company's issued share capital now consists of 177,543,801 shares.

Michelin successfully places three-tranche bond offering for a total of €1.5 billion

(October 26, 2020) – Michelin has placed a three-tranche bond offering for a total amount of €1.5 billion, with 8-, 12- and 20-year maturities respectively. The net proceeds were to be used to meet general corporate financing requirements.

Camso acquires Chicago-based Metro Industrial Tires

(October 30, 2020) – The acquisition of Metro Industrial Tires has strengthened Camso's off-the-road tire service and distribution presence in North America. It will also enable Camso to offer new and innovative ways to meet its customers' ever-changing needs.

Changes in Supervisory Board membership

(November 12, 2020) – On the recommendation of the Compensation and Appointments Committee, the members of the Supervisory Board unanimously decided to appoint Jean-Michel Severino, replacing Cyrille Poughon, who had resigned, as an independent member of the Board and as a member of its Corporate Social Responsibility Committee. The Supervisory Board also noted the appointment of Delphine Roussy and Jean-Christophe Laourde as new members of the Board representing employees. Taking into account these appointments, the Supervisory Board is now composed of 11 members, of whom two represent employees.

(1) SBTi: Launched in 2015, several months before COP21, SBTi is a collaboration between four organizations proposing a voluntary approach to fighting climate change in the private sector.

Camso, a Michelin Group company, opens a new production plant in the United States

(November 12, 2020) – Based in Junction City, Kansas, the new facility increases Camso's manufacturing footprint in North America to seven plants. Specialized in agricultural tracks, the facility will solidify Camso's leadership in the agricultural market. It will employ 50 people.

To promote safer roads, Michelin forms three key partnerships, with BNP Paribas Cardif, CGI, and Colas, with Essilor and with HDI Global

(November 18, 2020) – Michelin has further demonstrated that one of its core priorities is to make mobility safer, One example is the Better Driving Community initiative. The four partners are committed to shaping the future of mobility by harnessing the power of big data to raise awareness among their employees and the general public, develop innovative solutions, and nurture a community of engaged, proactive drivers. In addition, Michelin has also launched a worldwide campaign with Essilor. "Ensuring good vision for all road users" is now part of the official recommendations to achieve the UN road safety goals on a global scale. Michelin and HDI Global have also formed a partnership to help to prevent and reduce road risk for company vehicle fleets. The venture is expected to bring new connected solutions to market by 2022.

Fenner™ Precision Polymers acquires MAV S.p.A

(December 2, 2020) – Fenner™ Precision Polymers, a Michelin Group company and world leader in reinforced polymer technology, has announced the acquisition of MAV S.p.A., a leading European supplier of keyless-locking devices (KLD), shrink discs, rigid couplings and other metal products. Strong potential growth, market share gains and an opportunity to leverage the many advantages associated with a global supply chain are among the reasons cited for the acquisition.

The MICHELIN Guide announces its arrival in two new destinations, Slovenia and Moscow

(December 22, 2020) – Moscow has now been included in the list of new fine dining destinations curated by the MICHELIN Guide, which also celebrated Slovenian cuisine for the first time, in June of this year. Given that Michelin entered the Russian market almost immediately after the company's founding in 1889, the MICHELIN Guide's arrival in Moscow is a truly historic event.

Michelin launches a simplification and competitiveness project to support developments in its operations in France

(January 6, 2021) – To prepare for the future, Michelin has launched a three-year project to upgrade and transition its local manufacturing and corporate and administrative operations in France. As part of this process, the Group has reaffirmed its commitment to positioning France in the production of premium and specialty tires while continuing to base new high value-added businesses in the country, particularly in the services, sustainable materials, energy transition and recycling segments. The simplification and competitiveness plan will be supported by an innovative social dialogue process.

5.1.8 b) Innovation

Fenner Precision Polymers acquires Fabri Cote

(February 3, 2020) – Fenner Precision Polymers has acquired Fabri Cote, a leader in the development and manufacture of custom rubber-coated fabrics for aerospace applications.

Michelin and Total subsidiary AS 24 join forces to design and trial a new connected solution

(February 24, 2020) – Sustainable mobility leader Michelin is partnering with Total subsidiary AS 24 to design and trial the innovative Fleet Diag 24 solution. AS 24 is Europe's largest network of dedicated heavy truck service stations, with 986 outlets in 28 countries. The solution can automatically inspect truck tires at any AS 24 service station fitted with the device.

Michelin is voted "Tire Manufacturer of the Year" and earns the Innovation Award for Uptis, its puncture-proof tire

(February 27, 2020) – At the Tire Technology Expo in Hanover, Michelin received the prestigious title of "Tire Manufacturer of the Year" for the second year in a row and earned the Tire Technology 2020 Innovation Award for Uptis, its airless tire. The award showcases the Group's ability to meet the challenge of offering increasingly affordable, efficient products and services, while significantly reducing their environmental impact. Michelin and its partner General Motors are already working to bring Uptis to market in 2024 as an option on a GM model.

Fenner launches the new Eagle Poly-V line for roller conveyor applications

(March 2, 2020) – Fenner, the world leader in polyurethane conveyor belts, launches the new Eagle Poly-V line for roller conveyor applications. Manufactured using a combination of polyurethane with elastic reinforcement, the new, more efficient model reduces downtime and improves productivity.

Michelin partners with Enviro to develop and mass produce an end-of life tire recycling technology

(April 15, 2020) – Michelin has partnered with Enviro to develop and mass produce an innovative pyrolysis technology to recycle end-of-life tires. For the tire industry and its customers, recycling is a major issue, with around one billion tires reaching the end of their useful lives each year. Thanks to this recycling technology, tires considered as scrap can be reused to make new, high-quality raw materials. The partnership fits seamlessly with Michelin's "All Sustainable" vision.

Rendezvousing with the future of sustainable mobility during "Digital meetings by Movin'On"

(June 3-4, 2020) – After the World Summit on Sustainable Mobility was postponed until 2021 due to the health crisis, the Movin'On teams organized a series of Digital Meetings. Focused on sustainable mobility and innovation, the online forums offered an opportunity to share feedback and discuss the new projects being developed by the Movin'On communities of interest. In addition, five start-ups won awards for their innovative solutions aimed at addressing the multifaceted challenges of sustainable mobility.

All four MICHELIN Power motorcycle tire ranges entirely refreshed

(June 8, 2020) – At a time when mobility practices and customer expectations are shifting, the two-wheel tire business has a predominant role to play. Innovation is becoming mission-critical, in particular through the use of high-performance, sustainable materials. Thanks to Michelin's R&D commitment and hard work, all four of the MICHELIN Power motorcycle tire lines have now been refreshed.

Michelin unveils its new MICHELIN Pilot Sport CUP2 CONNECT tire, delivering higher, longer-lasting performance and 100% connect-ready

(June 10, 2020) – The new MICHELIN Pilot Sport CUP2 CONNECT tire has an integrated container to hold a sensor, making it the first series-produced 100% connect-ready tire on the market. Users simply insert the sensors that come with the MICHELIN Track Connect solution. These advanced technologies enable MICHELIN Pilot Sport CUP2 CONNECT tires to enhance the driving experience and remain versatile for everyday use while offering high potential on the track. They will first be fitted as original equipment on the BMW M2 CS.

New MICHELIN TRAILXBIB agricultural tire for trailed vehicles combines soil protection and longer tread-life

(June 25, 2020) – The new MICHELIN TRAILXBIB tire is helping to improve farm profitability while preserving cropland. As the number of farms decreases and farmers need to travel farther to get to their fields, the new tire meets their growing need for a solution suitable for mixed road/field use. It offers three main benefits: robust endurance, improved self-cleaning and longer tread-life.

Michelin upgrades its MICHELIN Track Connect solution

(July 17, 2020) – A pioneer in connected tires, Michelin has upgraded its MICHELIN Track Connect solution to add two new modes. In addition to the Leisure mode, which is already available in 26 countries, users can now access the Expert mode, which lets sports car owners optimize their performance and driving experience, and the Motorsport mode, which is designed for rally drivers. The upgrade further extends the Group's vision of connected mobility that is more sustainable and accessible to as many people as possible.

Michelin and its partners launch BlackCycle, a major European project for recycling end-of-life tires into new tires

(September 3, 2020) – Coordinated by Michelin, the European BlackCycle project aims to establish a circular tire economy by designing one of the world's very first processes to make new tires from end-of-life tires. The project's objective is that within five or six years, nearly half of all end-of-life tires in Europe will be recovered and reused in this virtuous circle. BlackCycle brings together seven industrial partners, five Research & Technological Organizations (RTOs) and an innovation cluster as part of a European consortium in five countries.

Michelin expands its X® MULTI™ truck tire range

(September 8, 2020) – Intended for regional transport, the new products will help trucking companies to improve their safety performance and lower operating costs. The incorporation of Michelin's latest patented technologies has also increased tread-life, by delivering up to 30% extra mileage.

Michelin wins the Sustainable Industry Award

(September 15, 2020) – Michelin has won the Sustainable Industry Award from French magazine Usine Nouvelle, honoring the "zero CO_2 emissions" challenge met by one of its 69 tire manufacturing plants, in Gravanches, France. The performance further demonstrates the Group's "All Sustainable" vision, particularly its goal of making all its plants carbon neutral by 2050.

Michelin is the proud winner of a 2020 digital acceleration award

(October 8, 2020) – Michelin has won an award in the "Transformation of Customer Relations" category at the "Grands Prix de l'Accélération Digitale" event organized by BFM Business. Michelin, which kicked off a far-reaching digital transformation five years ago, believes that digital technology provides a unique opportunity for it to get to know its customers better and provide them with personalized support. *"Our goal is to become a data-driven company, i.e., a company capable of making use of the data collected across all its activities, including R&D, manufacturing and the supply chain."* – Yves Caseau, Group Chief Information Officer.

Michelin unveils the eco-responsible MICHELIN e.Primacy tire made to last

(November 5, 2020) – MICHELIN e.Primacy is the first eco-responsible MICHELIN tire whose life-cycle assessment has been incorporated into its design, to address all of its lifetime environmental impacts. It is also the first tire on the market for which an Environmental Product Declaration (EPD) has been published. This advance could make a tire's environmental impact an additional purchasing criterion. At the 2020 Automobile Awards, the MICHELIN e.Primacy tire was voted "Best Tire of the Year" and honored with the special jury prize in the Green Innovation category.

Michelin and Pyrowave join forces to process engineer an innovative plastic waste recycling technology

(November 18, 2020) – Pyrowave, a pioneer in the electrification of chemical processes and in plastic recycling, and Michelin have signed an agreement to process engineer an innovative plastic waste recycling technology. The joint development agreement, which will ultimately represent an investment of more than €20 million, will result in the implementation of new value chains in the circular plastics economy. An initial industrial demonstrator will be developed by 2023.

Michelin has designed air cushion prototypes for patients in intensive care

(December 1, 2020) – Four months after development began in collaboration with the Amiens-Picardie University Hospital, Michelin has supplied 50 air cushion test kits for patients in intensive care. The program highlights Michelin's capacity for innovation and the potential bridges that exist between tire manufacturing and a multitude of other sectors like the health care industry. It offers yet another example of Michelin's initiatives to fight the pandemic, alongside 3D-printed components for artificial ventilators and the production of protective visors.

New MICHELIN Pilot Sport Cup N3 tires for the Porsche 911 GT3 Cup (992)

(December 14, 2020) – Michelin has designed the MICHELIN Pilot Sport Cup N3 for the new Porsche 911 GT3 Cup (992). For more than 20 years, the two brands have worked together as technical partners on both production models and race cars. The new tire is being produced in France at the Gravanches plant, which is powered exclusively by renewable energy.

5.1.8 c) Motorsports

Michelin and Symbio: creating the future of motorsports as partners of MissionH24

(June 10, 2020) – Through Symbio, its joint venture with automotive equipment manufacturer Faurecia, Michelin has become a preferred partner of the MissionH24 project, which aims to accelerate the development of cleaner mobility by using hydrogen fuel cell technology in endurance racing. The resulting on-track experience will be leveraged by Symbio and Michelin in their strategic commitment to becoming major enablers of hydrogen mobility in the coming years.

Michelin reaffirms its commitment to sustainable mobility by participating in the all-electric MotoE championship

(July 16, 2020) – For the second season of the FIM MotoE™ World Cup, Michelin introduced sustainable new tires made from regenerated and/or bio-sourced materials. The promising results delivered by the all-electric bikes represent a major milestone in the development of increasingly environmentally friendly tires and the wider deployment of eMobility solutions. For Michelin, motorsports remain a powerful laboratory for innovation, to meet the needs of all its customers.

A 23rd consecutive victory for Michelin at Le Mans 24 Hours Auto

(September 21, 2020) – By notching up its 23rd straight win at the Le Mans 24 Hours Auto, Michelin offered a further illustration of its "All Sustainable" vision, in particular through the long-lasting performance of its tires and the new tire distance record they set. Three months earlier, Michelin reaffirmed its commitment to eSports by participating in the Le Mans 24 Hours Virtual race. That compelling experience enabled Michelin not only to raise its brand profile with a new demographic, but also to pursue its innovation drive in two of its many core competencies: simulation and virtual design.

5.1.9 MATERIAL CONTRACTS

There are no material contracts other than those concluded in the ordinary course of business.

5.1.10 INFORMATION CONCERNING PAYMENT TERMS

	Article D. 441-I-2°: invoices issued and past due at December 31, 2020					
Trade receivables	**0 day**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
(A) Breakdown of past due payments:						
Number of invoices		-				-
Total amount of invoices (including tax)		-				-
Percentage of total sales for the period (including tax)		0.00%				0.00%
(B) Invoices excluded from (A) relating to disputed or unrecognized payables and receivables						-
Number of invoices excluded						-
Total amount of invoices excluded						-
(C) Reference payment terms used (contractual or statutory pursuant to Article L. 441-6 or L. 443-1 of the French Commercial Code)						30
Reference payment terms used to calculate past due payments	Contractual terms agreed at initial recognition of the trade receivable					30

	Article D. 441-I-1°: invoices received and past due at December 31, 2020					
Trade payables	**0 day**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**More than 90 days**	**Total**
(A) Breakdown of past due payments:						
Number of invoices		83	24	1	150	258
Total amount of invoices (including tax)		229,638	29,532	713	127,556	387,439
Percentage of total purchases for the period (including tax)		0.05%	0.01%	0.00%	0.03%	0.08%
(B) Invoices excluded from (A) relating to disputed or unrecognized payables and receivables						
Number of invoices excluded						-
Total amount of invoices excluded (including tax)						-

5.1.11 SIGNIFICANT CHANGE IN FINANCIAL OR TRADING POSITION

There were no significant changes in the Company's financial or trading position between February 15, 2021 (the date of the Statutory Auditors' report) and the date on which this Universal Registration Document was filed with the *Autorité des marchés financiers*.

5.1.12 INFORMATION DISCLOSED IN COMPLIANCE WITH ARTICLES L. 225-102-1 AND R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

The 2020 employee, societal and environmental information disclosed in compliance with Article 225-102-1 of the French Commercial Code, as well as the Statutory Auditors' report, may be found in section 4, "Non-financial performance".

5.1.13 DISCLOSURES PURSUANT TO FRANCE'S DUTY OF CARE ACT APPLICABLE TO PARENT COMPANIES AND SUBCONTRACTING COMPANIES

The 2020 Duty of Care Plan, which outlines the risks and preventive measures that the Group and its main subcontractors face in relation to the environment, public health and safety and human rights, pursuant to the French Duty of Care Act (No. 2017-399) of March 27, 2017, is presented in section 4 "Non-financial performance".

5.1.14 CONSOLIDATED KEY FIGURES AND RATIOS

(in € millions)	2020	2019	2018*	2017	2016
Sales	20,469	24,135	22,028	21,960	20,907
% change	-15.2%	+9.6%	+0.3%	+5.0%	-1.4%
Total employee benefit costs	5,996	6,365	6,038	5,871	5,542
as a % of sales	29.3%	26.4%	27.4%	26.7%	26.5%
Number of full-time equivalent employees at period-end	117,500	121,300	111,100	107,800	105,700
Research and development expenses	646	687	648	641	718
as a % of sales	3.2%	2.8%	2.9%	2.9%	3.4%
Segment EBITDA(1)	**3,631**	**4,763**	**4,119**	**4,087**	**4,084**
Segment operating income	1,878	3,009	2,775	2,742	2,692
Segment operating margin	9.2%	12.5%	12.6%	12.5%	12.9%
Operating income	1,403	2,691	2,550	2,631	2,791
Operating margin	6.9%	11.1%	11.6%	12.0%	13.3%
Cost of net debt	242	330	200	176	203
Other financial income and expenses	-14	(5)	16	0	20
Income before taxes	979	2,236	2,230	2,354	2,464
Income tax	354	506	570	661	797
Effective tax rate	36.2%	22.6%	25.6%	28.1%	32.3%
Net income	625	1,730	1,660	1,693	1,667
as a % of sales	3.1%	7.2%	7.5%	7.7%	8.0%
Dividends	357	666	637	585	522
Net cash from operating activities	**3,366**	**3,321**	**2,831**	**2,741**	**2,764**
as a % of sales	16.4%	13.8%	12.9%	12.5%	13.2%
Gross purchases of intangible assets and PP&E	1,221	1,801	1,669	1,771	1,811
as a % of sales	6.0%	7.5%	7.6%	8.1%	8.7%
Net debt(2)	3,531	5,184	4,056	716	944
Total equity	12,631	13,229	12,181	11,261	10,646
Gearing	28%	39%	33%	6%	9%
Net debt(2)/segment EBITDA(1)	0.97	1.09	0.98	0.18	0.23
Segment operating income/net interest expense(3)	7.9	10.1	13.3	15.9	13.3
Free cash flow(4)	2,004	1,142	-1,985	662	1,024
ROE(5)	4.9%	13.1%	13.6%	15.0%	15.7%
ROCE(6)	-	-	-	11.9%	12.1%
Operating ROCE(7)	8.6%	13.7%	14.0%	13.0%	-
PER SHARE DATA *(IN €)*					
Net assets per share(8)	70.8	74.1	67.8	62.7	59.1
Basic earnings per share	3.52	9.69	9.30	9.39	9.21
Diluted earnings per share	3.51	9.66	9.25	9.34	9.03
Price-earnings ratio(9)	29.8	11.3	9.3	12.7	11.5
Dividend for the year(10)	2.30	2.00	3.70	3.55	3.25
Payout ratio(11)	47.0%	19.5%	36.4%	36.0%	36.5%
Yield(12)	2.2%	1.8%	4.3%	3.0%	3.1%
Share turnover rate(13)	79%	82%	92%	71%	78%

* *In the above table, the 2018 figures are stated as published in the 2019 Universal Registration Document. See note 2.5 to the consolidated financial statements for that year for details of restatements compared with the figures published in the 2018 Registration Document.*

(1) *As defined in note 3.7.2 to the consolidated financial statements.*

(2) *Net debt: financial liabilities less cash and cash equivalents (excluding cash flows from cash management financial assets and borrowing collaterals) plus/less derivative assets, as defined in note 26 to the consolidated financial statements.*

(3) *Net interest expense: interest financing expenses - interest income from cash and equivalents.*

(4) *Free cash flow: as calculated in section 5.1.5 c).*

(5) *ROE: net income attributable to shareholders divided by shareholders' equity excluding non-controlling interests.*

(6) *ROCE: Net Operating Profit After Tax (NOPAT)/capital employed (intangible assets and PP&E + long-term financial assets + working capital), as defined in section 2.6 of the 2017 Registration Document.*

(7) *Operating ROCE: net segment operating profit after tax (NOPAT)/capital employed (intangible assets and PP&E + non-current financial assets + working capital - goodwill - acquired intangible assets and investments in equity-accounted companies), as calculated in section 5.1.6.*

(8) *Net assets per share: net assets/number of shares outstanding at the end of the period.*

(9) *Price-earnings ratio: share price at the end of the period/basic earnings per share.*

(10) *Subject to approval by the Annual Shareholders Meeting of May 21, 2021.*

(11) *Payout ratio: Dividend/net income excluding non-recurring items (adjusted with respect to the nominal tax rate).*

(12) *Yield: dividend per share/share price at December 31.*

(13) *Share turnover rate: number of shares traded during the year/average number of shares outstanding during the year.*

5.2 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

5.2.1 CONSOLIDATED STATEMENT – YEAR ENDED DECEMBER 31, 2020

CONSOLIDATED INCOME STATEMENT

(in € millions, except per share data)	Note	2020	2019
Sales	5	20,469	24,135
Cost of sales		(14,754)	(17,053)
Gross income		**5,715**	**7,082**
Sales and marketing expenses		(1,197)	(1,380)
Research and development expenses		(646)	(687)
General and administrative expenses		(1,867)	(1,987)
Segment other income and expenses	8	(127)	(19)
Segment operating income	**5**	**1,878**	**3,009**
Other operating income and expenses	9	(475)	(318)
Operating income		**1,403**	**2,691**
Cost of net debt	10	(242)	(330)
Other financial income and expenses	10	(14)	(5)
Net interest on employee benefit obligations	27.1	(56)	(98)
Share of profit/(loss) from equity-accounted companies	17	(112)	(22)
Income before taxes		**979**	**2,236**
Income tax	11	(354)	(506)
NET INCOME		**625**	**1,730**
▶ Attributable to the shareholders of the Company		632	1,751
▶ Attributable to the non-controlling interests		(7)	(21)
EARNINGS PER SHARE *(in €)*	**12**		
▶ Basic		3.52	9.69
▶ Diluted		3.51	9.66

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	Note	2020	2019
Net income		**625**	**1,730**
Post-employment benefits	27.1	145	(131)
Tax effect – Post-employment benefits	18	(33)	16
Equity instruments at fair value through OCI – changes in fair value	15.1	28	20
Tax effect – equity instruments at fair value through OCI	18	(7)	6
Other comprehensive income/(loss) that will not be reclassified to the income statement		***133***	***(89)***
Cash flow hedges – changes in fair value		16	46
Currency translation differences		(976)	201
Other		(2)	5
Other comprehensive income/(loss) that may be reclassified to the income statement		***(962)***	***252***
Other comprehensive income/(loss)		**(829)**	**163**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(204)**	**1,893**
▶ Attributable to the shareholders of the Company		(198)	1,914
▶ Attributable to the non-controlling interests		(6)	(21)

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € millions)	Note	December 31, 2020	December 31, 2019[(1)]
Goodwill	13	2,136	2,388
Intangible assets	13	1,980	2,280
Property, plant and equipment (PP&E)	14.1	10,821	12,042
Right-of-use assets	14.2	1,083	1,127
Non-current financial assets and other non-current assets	15	865	796
Investments in equity-accounted companies	17	941	1,087
Deferred tax assets	18	729	814
Non-current assets		**18,555**	**20,534**
Inventories	19	3,959	4,694
Trade receivables	20	3,018	3,532
Current financial assets	21	429	396
Other current assets	22	929	1,055
Cash and cash equivalents	23	4,747	1,466
Current assets		**13,082**	**11,143**
TOTAL ASSETS		**31,637**	**31,677**
Share capital	24	357	357
Share premiums	24	2,746	2,789
Reserves	25	9,530	10,080
Non-controlling interests		(2)	3
Equity		**12,631**	**13,229**
Non-current financial liabilities	26	6,169	5,026
Non-current lease liabilities	26	801	897
Provisions for employee benefit obligations	27.1	3,700	3,873
Provisions and other non-current liabilities	29	775	1,104
Deferred tax liabilities	18	425	455
Non-current liabilities		**11,870**	**11,355**
Current financial liabilities	26	1,546	932
Current lease liabilities	26	222	226
Trade payables		2,291	2,627
Trade payables under reverse factoring agreements	3.26	437	470
Provisions and other current liabilities	30	2,640	2,838
Current liabilities		**7,136**	**7,093**
TOTAL EQUITY AND LIABILITIES		**31,637**	**31,677**

(1) The 2019 figures have been restated for comparison purposes (see note 2.7 to the consolidated financial statements).

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € millions)	Share capital (note 24)	Share premiums (note 24)	Reserves (note 25)	Non-controlling interests	Total
At January 1, 2019	**360**	**2,923**	**8,875**	**23**	**12,181**
Net income/(loss)	-	-	1,751	(21)	1,730
Other comprehensive income/(loss)	-	-	163	-	163
Comprehensive income	**-**	**-**	**1,914**	**(21)**	**1,893**
Issuance of shares	-	4	-	-	4
Share buybacks	-	-	(141)	-	(141)
Cancellation of shares	(3)	(138)	141	-	-
Dividends and other appropriations	-	-	(675)	(1)	(676)
Share-based payments – current service cost	-	-	7	-	7
Sales of treasury shares	-	-	-	-	-
Other	-	-	(41)	2	(39)
At December 31, 2019	**357**	**2,789**	**10,080**	**3**	**13,229**
Net income/(loss)	-	-	632	(7)	625
Other comprehensive income/(loss)	-	-	(830)	1	(829)
Comprehensive income/(loss)	**-**	**-**	**(198)**	**(6)**	**(204)**
Issuance of shares	1	54	-	-	55
Share buybacks	-	-	(99)	-	(99)
Cancellation of shares	(2)	(97)	99	-	-
Dividends and other appropriations	-	-	(368)	-	(368)
Share-based payments – current service cost	-	-	14	-	14
Sales of treasury shares	-	-	-	-	-
Other	1	-	2	1	4
AT DECEMBER 31, 2020	**357**	**2,746**	**9,530**	**(2)**	**12,631**

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Note	2020	2019
Net income		625	1,730
Adjustments			
▶ Cost of net debt	10	242	330
▶ Other financial income and expenses	10	14	5
▶ Net interest on employee benefit obligations	27.1	56	98
▶ Income tax	11	354	506
▶ Amortization, depreciation and impairment of intangible assets and PP&E	6	1,753	1,754
▶ Other operating income and expenses	9	475	318
▶ Share of profit from equity-accounted companies	17	112	22
Segment EBITDA	**3.7.2**	**3,631**	**4,763**
Other operating income and expenses (cash) and change in provisions	31	(385)	(399)
Interest and other financial income and expenses received and paid, net	31	(265)	(325)
Income tax paid	18.2	(315)	(619)
Change in working capital, net of impairment	31	700	(99)
Net cash from operating activities		**3,366**	**3,321**
Purchases of intangible assets and PP&E	31	(1,369)	(1,782)
Proceeds from sales of intangible assets and PP&E		46	67
Equity investments in consolidated companies, net of cash acquired		(75)	(553)
Disposals of equity investments in consolidated companies, net of cash sold		5	128
Purchases of equity instruments at fair value		(15)	(15)
Disposals of equity instruments at fair value		45	17
Cash flows from other financial assets	31	(25)	(109)
Net cash from/(used in) investing activities		**(1,388)**	**(2,247)**
Proceeds from issuance of shares	24	55	4
Dividends paid to the shareholders of the Company	24	(357)	(665)
Cash flows relating to financial liabilities, net	31	1,784	(870)
Share buybacks	24	(99)	(141)
Other		(39)	(68)
Net cash from/(used in) financing activities		**1,344**	**(1,740)**
Effect of changes in exchange rates		**(41)**	**4**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,281**	**(662)**
Cash and cash equivalents at January 1		**1,466**	**2,128**
Cash and cash equivalents at December 31	**23**	**4,747**	**1,466**

Notes 1 to 37 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

Compagnie Générale des Établissements Michelin (CGEM or the "Company") and its subsidiaries (together "the Group") design, manufacture and market tires throughout the world. The Group also provides its customers with tire-related services and solutions, mobility experiences and expertise in high-tech materials.

The Company is a partnership limited by shares (*société en commandite par actions*) incorporated in Clermont-Ferrand (France).

The Company is listed on Euronext Paris (Eurolist Compartment A).

After a review by the Supervisory Board, these consolidated financial statements were authorized for issue by the Managing Chairman on February 12, 2021.

Except as otherwise stated, all amounts are presented in millions of euros (€ millions).

NOTE 2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements:

- have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union as of the reporting date and with a mandatory application to the period then ended;
- also comply with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB); and
- have been prepared using the historical cost convention, with the exception of unconsolidated equity investments and financial assets and liabilities (including derivatives), which are measured at fair value through profit and loss or other comprehensive income.

2.2 Accounting policies

The accounting policies applied in the preparation of the Group's consolidated financial statements are set out in note 3 "Accounting policies". Aside from the exceptions described in sections 2.3 and 2.7 below, these policies have been consistently applied to all the years presented.

2.3 New standards, amendments to existing standards and interpretations effective from January 1, 2020 in the European Union

The following amendments to IFRSs applied from January 1, 2020 have no impact on the consolidated financial statements:

Amendments to IAS 1 and IAS 8 – Definition of Material

This amendment clarifies the definition of material and provides for the new definition to be applied in all IFRS. According to this amendment, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of financial statements make on the basis of those financial statements.

Amendment to IFRS 3 – Definition of a Business – Business Combinations

This amendment introduces a new approach to defining a business for the purpose of applying IFRS 3 to business combinations. Its purpose is to avoid differing interpretations of the definition.

Amendment to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Phase 1)

This amendment provides temporary relief from applying specific hedge accounting requirements to hedging relationships, so that hedge accounting can continue to be applied during the transition to new interest rate benchmarks. EONIA, Euribor and Libor, which are based on quotes submitted by banks, will be replaced by new interest rate benchmarks calculated by reference to fixed-rate loan offers that are valid for a specified period and are available on recognized platforms.

Amendment to IFRS 16 – Leases – Covid-19-Related Rent Concessions

This amendment specifies how lessees should account for rent concessions such as rent holidays and temporary rent reductions. Lessees may choose to account for the rent concession as variable lease payments recognized directly in the income statement of the period(s) in which the event or condition that triggers the reduced payment occurs, rather than treating it as a lease modification with the resulting obligation to remeasure the lease liability based on the revised consideration using a revised discount rate.

There are no other new standard, update and interpretation published and effective whose impact could be material for the Group.

2.4 New standards, amendments to existing standards and interpretations that are not yet mandatory

As of the date when the Group's consolidated financial statements were approved for publication, the Group had not adopted the following new standards or amendments to existing standards that had been published but were not effective as of January 1, 2020:

Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

This amendment clarifies the principles applied to classify liabilities as current or non-current. It is applicable from January 1, 2022.

Amendment to IAS 16 – Property, Plant and Equipment – Proceeds Before Intended Use

This amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, the proceeds from selling such items, and the cost of producing them must be recognized in profit or loss. The amendment is applicable from January 1, 2022.

Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts, Cost of Fulfilling a Contract

This amendment specifies the costs to be taken into account when assessing whether a contract will be loss-making. It is applicable from January 1, 2022.

Amendment to IFRS 17 – Insurance Contracts – Recognition, Measurement and Presentation

The purpose of this amendment is to ensure that an entity provides relevant information that faithfully represents the contracts. The amendment is applicable from January 1, 2023.

Amendment to IAS 41 – Biological Transformation of Biological Assets

The amendment removes the requirement to exclude cash flows from taxation when measuring the fair value of biological assets using a discounting method. It aligns the fair value measurement requirements in IAS 41 with those in IFRS 13. The amendment is applicable from January 1, 2022.

Amendments to IAS 39 – IFRS 4 – IFRS7 – IFRS 9 – IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

Phase 2 of the project on IBOR reform and the effects on financial reporting addresses the accounting issues arising from changes made to financial contracts following the reform of an interest rate benchmark. Temporary exceptions from applying specific hedge accounting requirements are also planned. The amendments are applicable from January 1, 2021.

Amendments to IFRS 4 – IFRS 9 – IFRS 17 – Insurance Contracts

The amendments extend until January 1, 2023 the temporary exemption from applying IFRS 9 granted to insurance companies so that they can apply IFRS 9 and IFRS 17 simultaneously.

The impact of these new standards and amendments is currently being assessed by the Group.

2.5 Covid-19 health crisis

The Covid-19 health crisis led most governments to impose quarantine measures to limit the spread of the virus. These measures had the effect of severely curtailing global economic activity and individual mobility.

From the very first signs of the pandemic, Michelin defined two absolute priorities: protecting the health and safety of its employees, and ensuring business continuity.

Covid-19 related expenditures, such as purchases of face masks, hand sanitizer, mask manufacturing equipment and cleaning and disinfection costs, are reported in the consolidated income statement under "Segment other income and expenses" for €96 million (note 8). The Group's industrial output fell sharply in the second quarter, before picking up in the third and fourth quarters. The resulting under-absorption of fixed costs has been recognized as an expense for the period. Some employees were able to work from home, while others were furloughed. Furlough payments received by employees, directly or indirectly, totaled around €152 million. The Group chose not to take advantage of any other governmental aid in France or in any other country (state-guaranteed loans, subsidies, deferrals of payments in particular).

During the first half of 2020, the Group ability to raise the short-term financing needed to weather the crisis attests to the confidence of its lenders. In all, additional financing of around €1.7 billion was raised through bank loans and commercial paper.

During the second half of 2020, the Group raised €1.5 billion through a three-tranche bond issue (note 26).

The 2019 dividend was cut to €2.00 per share (reducing the total payout by €308 million compared with the prior year) and its payment was deferred to the second half of 2020. More detailed information about the Group's liquidity risk management is provided in note 33 "Financial risk management".

The effects of the pandemic are reflected in the reported values of assets at December 31, 2020. Additional information is provided in the following notes:

- note 13.1 "Goodwill";
- note 17 "Investments in equity-accounted companies";
- note 18 "Taxes";
- note 20 "Trade receivables";
- note 33 "Financial risk management".

2.6 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires that management use assumptions and estimates to calculate the value of assets and liabilities at the date of the consolidated statement of financial position and the amount of income and expenses for the reporting period. Actual results could differ from those estimates.

In light of the current uncertain environment created by the Covid-19 health crisis (note 2.5), a scenario has been developed that models the estimated duration and severity of the crisis based on global gross domestic product (GDP). A return to 2019 business levels is expected in the second half of 2022.

The main sources of uncertainty relating to key assumptions and judgments concern impairment of non-financial assets, employee benefit obligations, income taxes, goodwill, intangible assets acquired in business combinations and the assets' estimated useful lives, the definition of the enforceable period of a lease and the effect on revenue recognition of deferred customer discounts.

2.6.1 Impairment of non-financial assets

The cash-generating units' (CGU) future cash flows used to calculate value in use (note 3.17 "Impairment of non-financial assets") are derived mainly from 3 years forecasts, extended to 5 years, set out by the Group's. Strategic objectives are developed with the involvement of key people in the Business Department and Business Lines. The process requires using critical estimates and judgments, especially to determine market trends, raw material costs and pricing policies. Consequently, actual cash flows may differ from the estimates used to calculate the CGUs' value in use.

Quantitative information is provided in note 13.1 "Goodwill".

2.6.2 Employee benefit obligations

The Group uses defined contribution plans which generally require, on top of the portion financed by the Group, a contribution from each salaried employee, defined as a percentage of their compensation.

Some subsidiaries also recognize liabilities for pension plans, jubilees and other post-employment benefits linked to rights acquired by the employees through plans specific to these subsidiaries or resulting from certain legal obligations.

The valuation of these benefits is carried out annually with the assistance of independent actuaries. The actuarial method used is the projected unit credit method.

In accordance with this method, statistical information and various assumptions are used in calculating the expenses, liabilities and assets related to the benefit plans. Assumptions mainly include the discount rate, the inflation rate, the long-term salary increase rate and the expected rate of growth in future medical costs. Statistical information is mainly related to demographic assumptions such as mortality, employee turnover, disability and retirement age.

Assumptions and statistical information are determined based on internal guidelines, in consultation with the actuaries.

The discount rates are determined based on actuarial models using the same maturity as the liabilities.

The rate of salary increases is determined by each country based on a long-term salary policy and takes into consideration all of the relevant factors including market practices, as well as career development, promotion and seniority, among other inputs.

The inflation rates, calculated over standard durations, are determined using several methods:

- by using actuarial models based on target rates published by central banks, forecasts from Consensus Economics and inflation swap curves;
- by taking the spread between inflation-linked bonds and conventional securities. The rates are then adjusted with a spread which represents the liquidity and risk premium embedded in the inflation-linked bonds;
- based on historical averages.

The other assumptions (retirement age, employee turnover, health care cost trend, mortality and disability) reflect the demographic and economic situation of the countries and subsidiaries in which the plans are in force.

The actual data (such as inflation, mortality and real return on assets) may differ from the long-term actuarial assumptions used. The resulting difference is recognized as a gain or loss in other comprehensive income.

Quantitative information is provided in note 27 “Employee benefit obligations”.

2.6.3 Income tax

Judgments and estimates are required to determine the amount of the deferred tax assets resulting from tax loss carryforwards or deductible temporary differences.

The expected reversal of tax losses is based on the forecast of future results validated by the local management and reviewed by the Group Tax and Accounting Departments. Analyses are also performed in order to ensure the consistency of the forecasts with the Group's strategic plans validated by management. Analyses to support the deferred tax positions are performed periodically, at a date as close as possible to the reporting date.

The period over which tax loss carryforwards are reversed is based on a reasonable time horizon, taking into account the specific circumstances of each Group company, such as:

- the origin of the historical tax losses (generally exceptional and non-recurring: restructuring, significant increases in production capacity, etc.);
- forecast future results;
- tax planning strategies;
- opportunities for internal reorganizations that will eliminate sources of losses;
- the time limit for recovering historical losses; and
- the maximum utilization rate of tax loss carry forwards in a given year.

Quantitative information is provided in notes 11 “Income tax” and 18 “Taxes”.

The companies that make up the Group operate in different, and sometimes uncertain, legal and regulatory environments, including tax environments. They may be involved, in the normal course of business, in various types of litigation, disputes or other proceedings.

Each of the known disputes or ongoing proceedings in which the Group or one of the Group companies is involved was examined at the reporting date, where appropriate with the assistance of external consultants, and provisions have, if necessary, been booked to cover the estimated risks. The main ongoing tax audits are described in note 11 “Income taxes”.

2.6.4 Goodwill, intangible assets acquired and their residual useful life

As part of its acquisitions, the Group identifies, measures and recognizes intangible assets (trademarks and customer relationships, for example) and determines their residual useful lives. The difference between the fair value of assets acquired and liabilities assumed, on the one hand, and the consideration transferred, on the other, represents goodwill, which is allocated to the CGUs or to the groups of CGUs benefiting from the synergies expected from the business combination. In order to perform the purchase price allocation, the Group takes into account the various strategic and operational objectives underlying the acquisition and relies on the expertise of valuation firms.

The value of assets and liabilities recognized on business combinations may be impacted in the future if judgments, estimates and key assumptions made at the time of the acquisition, such as revenue growth rate, operating margin or discount rates, should differ from reality.

2.6.5 Enforceable period of a lease

When the Group enters into a lease, it determines the enforceable period by taking into account all the economic facts and circumstances, as well as the options to extend and terminate the lease. This information is used to determine the most economically relevant end date for the lease.

For certain categories of leased assets (mainly vehicles), the Group considers that there is no reasonably certain extension option.

Consequently, the duration is selected to coincide with the initial term of the lease. For real estate leases, the Group defines the reasonable end date of the lease, based on the enforceable period, in line with the asset's expected period of use. Accordingly, for leases with a residual term of more than ten years, the first enforceable exit option is chosen unless specific information and economic circumstances lead the Group to define a longer period.

2.7 Restatement of comparative financial information at December 31, 2019

To improve the readability of the consolidated financial statements, right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position. The consolidated financial statements at December 31, 2019 have been restated for comparison purposes, as follows:

(in € millions)	December 31, 2019 reported	Reclassifications	December 31, 2019 restated
Goodwill	2,388	-	2,388
Intangible assets	2,280	-	2,280
Property, plant and equipment	13,169	(1,127)	12,042
Right-of-use assets	-	1,127	1,127
Non-current financial assets and other non-current assets	796	-	796
Investments in equity-accounted companies	1,087	-	1,087
Deferred tax assets	814	-	814
Non-current assets	**20,534**	**-**	**20,534**
Inventories	4,694	-	4,694
Trade receivables	3,532	-	3,532
Current financial assets	396	-	396
Other current assets	1,055	-	1,055
Cash and cash equivalents	1,466	-	1,466
Current assets	**11,143**	**-**	**11,143**
TOTAL ASSETS	**31,677**	**-**	**31,677**
Share capital	357	-	357
Share premiums	2,789	-	2,789
Reserves	10,080	-	10,080
Non-controlling interests	3	-	3
Equity	**13,229**	**-**	**13,229**
Non-current financial liabilities	5,923	(897)	5,026
Non-current lease liabilities	-	897	897
Provisions for employee benefit obligations	3,873	-	3,873
Provisions and other non-current liabilities	1,104	-	1,104
Deferred tax liabilities	455	-	455
Non-current liabilities	**11,355**		**11,355**
Current financial liabilities	1,158	(226)	932
Current lease liabilities	-	226	226
Trade payables	2,627	-	2,627
Trade payables under reverse factoring agreements	470	-	470
Provisions and other current liabilities	2,838	-	2,838
Current liabilities	**7,093**	**-**	**7,093**
TOTAL EQUITY AND LIABILITIES	**31,677**	**-**	**31,677**

NOTE 3 ACCOUNTING POLICIES

3.1 Consolidation

The Group's consolidated financial statements include all subsidiaries, joint ventures and associates of Compagnie Générale des Établissements Michelin.

The Group treats transactions with non-controlling interests, as long as they do not result in a change of control over the entities in question (no loss nor gain of control), as equity transactions having no impact on comprehensive income. Expenses relating to these transactions are directly accounted for in equity. At the date the Group gains control of an entity, the carrying amount of previously held non-controlling interests, if any, is adjusted to fair value and the difference is recognized in the income statement. All other related items previously recognized in other comprehensive income are reclassified to the income statement. When the Group loses control over an entity but keeps some non-controlling interests in the entity, the transaction is analyzed as an exchange, *i.e.*, the disposal of a controlling interest and the acquisition of a non-controlling interest.

Shareholdings in companies which are not subsidiaries, joint ventures or associates are not consolidated. They are accounted for as non-derivative financial assets (note 3.18 "Non-derivative financial assets").

3.1.1 Subsidiaries

The Group controls an entity when it has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances, as well as unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless an impairment loss on the transferred asset arises on the transaction.

Group accounting policies are applied consistently by all subsidiaries.

3.1.2 Joint ventures and associates

Joint ventures are joint arrangements (arrangements over which the Group has joint control with one or more other parties) in which the Group has rights to the net assets. Joint control is defined as the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Generally, associates are entities in which the Group has a shareholding representing between 20% and 50% of the voting rights.

Investments in joint ventures and associates are accounted for using the equity method and are initially recognized at cost. The Group's investments in joint ventures and associates include goodwill identified at the acquisition date and are presented net of any accumulated impairment losses.

From the acquisition date to the date that significant influence ceases, the Group's share of its joint ventures' and associates' profits and losses, is recognized in the income statement and its share of movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the investee, the Group does not recognize future losses, unless it has incurred obligations or made payments on behalf of the entity.

Unrealized gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the investee. Unrealized losses are also eliminated unless an impairment loss on the transferred asset arises on the transaction.

The profit resulting from downstream transactions carried out with a joint venture or an associate is deducted from the Group's proportionate share in profit of equity-accounted company.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Management.

The Managing Chairman regularly examines segment operating income to assess segment performance. He has therefore been identified as the chief operating decision maker of the Group.

3.3 Foreign currency

3.3.1 Presentation and functional currency

The financial statements of the Group entities are measured using their functional currency, which is the currency of the primary economic environment in which they operate and corresponds for most of them to their local currency.

The consolidated financial statements are presented in euros (presentation currency), which is the Company's functional currency.

3.3.2 Transactions

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Exchange differences on unconsolidated equity investments are included in other comprehensive income until the investment is sold.

3.3.3 Translation

The financial statements of the Group entities whose functional currency is different from the Group's presentation currency are translated into euros as follows: assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position, income and expenses are translated at the average rate for the period (as it is considered a reasonable approximation to actual rates at the transaction date), and all resulting exchange differences are recognized in other comprehensive income.

Cash flows are also translated at the average rate for the period. When an entity is disposed of, the translation differences accumulated in other comprehensive income are recycled to the income statement as part of the gain or loss on disposal.

On the acquisition of an entity, goodwill and fair value adjustments recognized are treated as assets and liabilities of the acquired entity and translated at the spot rate on the transaction date.

3.3.4 Exchange rates of major currencies

	Closing rates		Average rates	
Against the euro (EUR):	**2020**	**2019**	**2020**	**2019**
US dollar (USD)	1.228	1.119	1.141	1.120
Canadian dollar (CAD)	1.571	1.464	1.529	1.486
Mexican peso (MXN)	24.413	21.058	24.373	21.566
Brazilian real (BRL)	6.400	4.528	5.815	4.410
Pound sterling (GBP)	0.907	0.854	0.889	0.877
Chinese yuan (CNY)	8.020	7.820	7.873	7.733
Indian rupee (INR)	90.038	79.881	84.530	78.841
Thai baht (THB)	36.867	33.735	35.697	34.773

3.4 Derivative instruments

Derivative instruments are used to manage financial exposures.

All derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (see hedging policy below).

All changes in fair value of derivatives not qualifying as hedges are recorded as financial income or expense in the period in which they arise.

The fair values of listed instruments are based on their market values.

For unlisted instruments, fair values are determined using mathematical models, such as option pricing models, or methods based on discounted future cash flows. These models take into account market data.

Embedded derivatives are recognized separately if they are not closely related to the host contract.

3.5 Hedging

Some derivative instruments are eligible for hedge accounting and are therefore designated as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges);
- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategies. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Changes in the fair value of derivatives are accounted for differently depending on the type of hedge.

3.5.1 Fair value hedges

Changes in fair value of derivatives are recorded in financial income and expenses, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

3.5.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives is recognized in other reserves. The ineffective portion of the gain or loss is recognized immediately in the income statement, in operating income (commodity price hedges) or financial income and expenses (interest rate hedges).

When options are used to hedge future transactions, only the changes in the options' intrinsic value are designated as hedging instruments. Changes in the intrinsic value and the time value in relation to the hedged item ("aligned time value") are recorded in other reserves.

For forward contracts used to hedge future transactions, the Group designates all the changes in fair value (including the forward points) as hedging instruments. These changes in fair value are recorded in other reserves.

Amounts accumulated in other reserves are recognized in the income statement over the period during which the hedged item affects the profit and loss, as follows:

- when the hedged item is a non-financial asset (for example, a consolidated investment or an inventory), deferred gains or losses, as well as deferred gains or losses on the time value of the option or contract forward points are included in the initial cost of the asset;
- the gains or losses resulting from the interest rate hedge are recognized in financial income at the same time as the interest on the loans that are hedged.

When a hedging instrument is sold or expires, or when a hedging instrument no longer meets the criteria required to qualify for hedge accounting, the amount accumulated in other reserves at that date is immediately recognized in profit or loss.

3.5.3 Derivatives not qualifying for hedge accounting

Certain other derivative instruments, while offering effective economic hedging in terms of the Group's financial policy, do not meet the criteria for hedge accounting or have not been treated as hedging instruments (refer to the policy relating to derivative instruments, above). Changes in the market value of these derivatives must therefore be recognized in financial income and expenses. For example, foreign exchange derivatives used to hedge the currency exposure of financial assets and liabilities recognized in the consolidated statement of financial position are not designated as hedging instruments.

3.6 Fair value of financial instruments

Fair value measurements are disclosed by level in the following fair value measurement hierarchy:

- Level 1: Quoted prices in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments, essentially cash and cash equivalents, as well as quoted unconsolidated equity investments, are included in level 1.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (*i.e.*, as prices) or indirectly (i.e., derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value these instruments are observable, these instruments, essentially cash management financial assets and derivative instruments, are included in level 2.
- Level 3: Inputs for assets or liabilities that are not based on observable market data (*i.e.*, unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument, essentially non-quoted unconsolidated equity investments, is included in level 3.

Specific valuation techniques used to value, generally internally, financial instruments include:

- quoted market prices or dealer quotes for similar instruments (level 1);
- the fair value of interest rate swaps calculated internally as the present value of the estimated future cash flows based on observable yield curves (level 2);
- the fair value of forward foreign exchange contracts determined internally using forward exchange rates at the date of the consolidated statement of financial position, with the resulting value discounted back to present value (level 2).

Other techniques, such as discounted cash flow analysis, are used internally to determine fair value for the remaining financial instruments (level 3).

When observable yield curves include negative interest rates, those are used without adjustment to determine the fair value of derivatives.

The Group assesses the counterparty risk included in the fair value of its over-the-counter derivatives for which there is no exchange of collateral. The Group includes the effect of its exposure to the credit risk of the counterparty or the counterparty's exposure to the credit risk of the Group. The valuation for long-term derivatives with no exchange of collateral is based on discounted cash flows using a rate including the counterparty credit risk.

3.7 Definition of certain indicators presented in the consolidated financial statements

3.7.1 Net debt

Net debt is made up of current and non-current financial liabilities (including lease liabilities), as they appear on the consolidated statement of financial position, less:

- cash and cash equivalents as they appear on the consolidated statement of financial position;
- derivative instruments included in "Current financial assets" and "Non-current financial assets" on the consolidated statement of financial position;
- cash management financial assets included in "Current financial assets" on the consolidated statement of financial position (these assets are highly liquid, little affected by interest rate risk and foreign currency risk); and
- borrowing collateral included in "Current financial assets" and "Non-current financial assets" on the consolidated statement of financial position.

3.7.2 Segment EBITDA

The Group defines Segment EBITDA as segment operating income less depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets allocated to segments.

3.8 Revenue recognition

The sale of tires, in the original equipment or replacement market, constitutes the major part of Group income. In the replacement market, tires are sold to distributors (wholesalers, specialist dealers, etc.) who are customers of the Group. These distributors have the full and complete possibility to use the tires for their own benefit, or to market them, and in this case, to fix the resale price. Furthermore, they carry the inventory risk.

The terms of sale offered by Group companies, in line with normal market practice, vary according to the customer category and the country in which the sales are made. They provide however, that the payment for the goods sold will be made in a period appreciably less than one year and there is therefore no reason to adjust the amount of consideration received from customers to take into account the effects of a financing component.

Each delivery of tires, either in the original equipment market with car manufacturers or in the replacement market, represents a distinct and separate performance obligation to be fulfilled at a point in time and which corresponds to the loading of goods or their delivery, in accordance with the underlying contract.

The warranties offered to the buyers cover design or manufacturing defects, which may appear as irregular or excessive tires wear under normal conditions of use. These warranties, which do not provide the customer with any supplementary guarantee, apart from the fact that the tire is exempt from defects, continue to be accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets".

The Group agrees, under certain conditions, to give trade concessions or to reimburse unsatisfied customers. Occasionally and under special circumstances, it also grants the right to return products already sold. This right gives rise to the recognition of a liability and a reduction in income, as well as an asset representing the Group's right to recover the goods that customers will return. In addition, the amount that the Group effectively receives for the tires delivered, as well as the revenue from sales recognized in the income statement, can vary as a result of deferred rebates stipulated in contractual agreements and/or at the start of marketing campaigns, which will be paid to the customers at the end of the reference period and depending on the achievement of qualitative or quantitative objectives set for that period. Their value is determined using the expected value method. The Group relies on the analysis of historical data and its accumulated experience to estimate the probable amount of rebates and discounts to be given to customers. Income from ordinary activities is therefore recognized taking into account the uncertainty surrounding the different components of variable consideration and to the extent that it is highly probable that the outcome of this uncertainty will not give rise to a significant reduction in the amount of sales already recognized, once the uncertainty is resolved. The difference between the amounts invoiced to the customers and the level of income recorded from ordinary activities results in the recognition of a liability in respect of the future reimbursement under "Other current liabilities" in the consolidated statement of financial position.

The other sales categories essentially comprise the management of tires for commercial fleets and the supply of telematics services, where the main objective is greater fuel economy and fleet efficiency. The services supplied under these contracts consist of a single performance obligation satisfied over time for which the sales revenue is recognized according to the stage of completion, measured on the basis of the work performed and the costs incurred.

The Group may enter into multi-year agreements with customers, which include a commitment regarding its capacity to supply the products, in exchange for a specific amount of consideration. This is to be paid in advance of fulfillment of the obligations to supply the products, which will be spread over the duration of the contract. As such, this commitment is considered to be linked to the supply of the products and will be recognized as revenue as and when the supply obligations are fulfilled. When the payment is received, a contract liability is recognized and split between the line items "Provisions and other non-current liabilities" and "Provisions and other current liabilities" in the consolidated statement of financial position, depending on the date the performance obligations are fulfilled.

3.9 Cost of sales

Cost of sales for the Group's manufacturing activities comprises the costs of manufacturing products and the cost of goods purchased for resale.

It includes the purchase cost of raw materials, production costs directly related to the manufactured products and all production overheads, based on the normal capacity of manufacturing facilities.

Production overheads include depreciation of property, plant and equipment, amortization of intangible assets relating to production and write-downs of inventories.

Cost of sales also includes a relevant portion of general overheads to the extent that they are directly attributable to bringing the manufactured products to their present location and condition.

For non-manufacturing activities, especially customer services, cost of sales includes all the costs incurred to produce, administer or execute a service delivered in the distribution network. Cost of sales for these activities mainly comprises employee benefits expense, depreciation of plant and equipment, energy costs and the cost of acquiring and processing the data needed to produce the service.

3.10 Research and development expenses

Research costs cannot be capitalized. Development costs are capitalized as intangible assets when the conditions relating to the commercial and technical feasibility of the project, the ability to allocate the costs reliably and the probability of generating future economic benefits are fulfilled.

Development costs are reviewed annually in order to determine whether the criteria for recognition as intangible assets are met.

3.11 Segment operating income

Segment operating income measures the performance of the operating segments and is one of the Group's management indicators.

3.12 Other operating income and expenses

"Other operating income and expenses" records items that are not taken into account by management when measuring the performance of the operating segments due to their nature or their significant, unusual or abnormal characteristics. They include, in particular, the costs related to the reorganization and adaptation of activities and those related to major litigation (and the adjustments in the corresponding provisions), as well as impairment of goodwill and acquisition-related costs. Given the recent major acquisitions made by the Group, the amortization of trademarks and customer relationships recognized as part of a business combination is also recognized in other operating income and expenses. They also include gains and losses on disposals and changes in impairment of property, plant and equipment and intangible assets, acquisition price adjustments, as well as gains and losses related to changes in post-employment benefits. They are detailed in note 9 "Other operating income and expenses".

3.13 Income tax

Current and deferred taxes, plus any withholding tax on royalties and on distributions of retained earnings within the Group, are recorded in the consolidated income statement except if they relate to items recognized either in other comprehensive income or directly in equity, in which case they are also recognized, respectively, in other comprehensive income or directly in equity.

Current tax is based on the results of Group companies and is calculated according to local rules, including any adjustments to tax payable in respect of previous years.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements, using enacted or substantially enacted tax rates that are expected to prevail when the temporary differences reverse.

A deferred tax asset or liability is recognized on initial recognition of transactions arising from business combinations and impacting the accounting or taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the tax loss carryforwards and the temporary differences can be offset.

Deferred tax is calculated on temporary differences arising from investments in subsidiaries, joint ventures, and associates: deferred tax assets are recognized if the reversal is under the entity's control and is also probable. Deferred tax liabilities are recognized unless their reversal is controlled and not probable.

Tax positions are analyzed periodically and if any positions are considered unlikely to be accepted by the tax authorities a provision is booked for the most probable amount in order to cover the risk. Assets/liabilities resulting from uncertain tax treatments are included in current or deferred tax assets or liabilities in the consolidated statement of financial position.

3.14 Business combinations and goodwill

When the Group obtains control of an entity, the business combination is valued and accounted for by applying the acquisition method. Goodwill is calculated at the acquisition date as the difference between:

- the fair value of the consideration transferred including, if any, the fair value of any contingent consideration; and
- the fair value at the acquisition date of the identifiable acquired assets, the liabilities and contingent liabilities assumed.

The valuation period for a business combination does not exceed 12 months after the acquisition date.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination and that reflect the level at which the Group manages goodwill. Goodwill is tested for impairment annually.

3.15 Intangible assets

Intangible assets are recognized at cost. The cost of an intangible asset acquired as part of a business combination is its fair value at the acquisition date.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least once a year. Those with finite useful lives are amortized on a straight-line basis over their estimated useful life:

- Software: 3-7 years
- Brands and trademarks: 5-20 years
- Customer relationships: 5-20 years

3.16 Property, plant and equipment (PP&E)

Property, plant and equipment are measured at cost less accumulated depreciation and, when necessary, impairment.

The gross carrying amount includes the cost of acquisition or production cost and other costs directly attributable to the acquisition or the construction of the asset (including borrowing costs). Investment grants are initially accounted for as deferred income and are subsequently recognized as income over the useful life of the related asset.

Repair and maintenance costs are expensed as incurred. Other subsequent expenditures are included in the asset's carrying amount or recognized as a separate asset if the recognition criteria are met.

Property, plant and equipment are depreciated on a straight-line basis, except land, which is not depreciated. Depreciation of property, plant and equipment reflects the pattern in which the asset's future economic benefits are expected to be consumed. Depreciation is allocated to cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

The following depreciation periods, based on the expected useful lives of the respective assets, are applied throughout the Group:

- Buildings and general land and building installations: 25 years
- Petrochemical equipment: 25 years
- Industrial and commercial equipment: 2-12 years
- Computer and telecommunication equipment: 5 years
- Vehicles: 5 years
- Other: 5-12 years

The useful lives of the assets and their respective residual values are reviewed annually.

When assets are sold or otherwise disposed of, the difference between the net proceeds and the net carrying amounts of the assets is recognized in "Other operating income and expenses".

3.16.1 Leases

A contract is or contains a lease if it conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. The Group assesses whether a contract is or contains a lease on the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Substantially all of the Group's leases are leases where the Group is the lessee. Leased assets are mainly real estate assets (points of sale for the Group's integrated distribution network, sales and administrative offices), passenger cars and forklifts.

Lease liabilities

Lease liabilities correspond to the present value of future lease payments, excluding variable lease payments that do not depend on an index or a rate.

For contracts that include a lease component and non-lease components (such as services), only the lease component is taken into account in calculating the present value.

The interest rate implicit in the lease is used as the discount rate if it can be readily determined. If the implicit rate cannot be readily determined, each Group entity uses its incremental borrowing rate reflecting its specific credit risk, the currency of the lease and the weighted average maturity of the outstanding lease liability.

After initial recognition, the carrying amount of the lease liability is increased to reflect interest on the lease and reduced to reflect the lease payments made.

The carrying amount of the lease liability and the corresponding right-of-use asset is adjusted to reflect any change in the lease term, any change in the assessment of an option to purchase the underlying asset, any change in the amount that the lessee expects to have to pay to the lessor under the residual value guarantee or any change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Right-of-use assets

Right-of-use assets corresponding to leased property, plant and equipment are initially measured at cost, corresponding to the sum of the present value of the outstanding lease payments at the commencement date. Any lease payments made at or before the commencement date, any initial direct costs and an estimate of costs to be incurred by the Group in dismantling or restoring the underlying asset, are included in the value of the right-of-use asset, less any lease incentives.

The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the leased asset if the transfer of ownership of the leased asset is uncertain or is not provided for in the contract.

Enforceable period

The enforceable period of a lease is determined by taking into account all the economic facts and circumstances (such as contractual terms and conditions for the optional periods compared with market rates, significant leasehold improvements, costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs associated with returning the underlying asset in a contractually specified condition or to a contractually specified location), and contractual options to extend or terminate the lease. Consequently, for leases that are automatically renewable and the 3/6/9-year commercial leases that are common in France, the enforceable period can be longer than the period to the contractual end date. This information is used to determine the most economically relevant end date for the lease. For certain categories of leased assets (mainly vehicles), the Group considers that there is no reasonably certain extension option. Consequently, the duration is selected to coincide with the initial term of the lease. For real estate leases, the Group defines the reasonable end date of the lease, based on the enforceable period, in line with the asset's expected period of use. Accordingly, for leases with a residual term of more than ten years, the first enforceable exit option is chosen unless specific information and economic circumstances lead the Group to define a longer period.

Exceptions

Leases with a term not exceeding 12 months or concerning low-value assets (mainly computers, printers and tools) are not recognized in the consolidated statement of financial position.

The payments related to these leases are expensed on a straight-line basis over the duration of the contracts. Variable lease payments are expensed in the period in which the triggering event or situation occurs.

3.17 Impairment of non-financial assets

When there is any indication that the recoverable amount of an asset (goodwill, intangible assets or property, plant and equipment) may be lower than its carrying amount, the recoverable amount of the asset is measured and if needed, an impairment is recognized. Whether there is an indication of impairment or not, an annual impairment test is performed for goodwill, intangible assets with an indefinite useful life and intangible assets not ready for use, by comparing their carrying amount with their recoverable amount.

At individual asset level, indications of impairment generally relate to a fall in market value, technical obsolescence or an anticipated change of use. The recoverable amount is usually based on the market value.

At Group level, non-financial assets (including rights-of-use assets, note 3.16.1) are combined for impairment testing purposes in the smallest identifiable group of assets that generates cash flows that are largely independent of cash flows from other assets or groups of assets (cash-generating units – CGUs).

For the tire business, CGUs are based on industrial asset groups, generally production plants, working together to manufacture and provide product offerings that meet the needs of customers with similar expectations in homogeneous markets or market segments.

CGUs related to non-tire businesses (Services and Solutions, Experiences, High-Technology Materials and Distribution) generally cover the scope of each of these activities.

CGUs to which goodwill has been allocated are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment loss. For the purpose of impairment testing, goodwill is allocated to a CGU or group of CGUs on the same basis as that used by the Group's management to monitor the performance of the businesses and assess synergies deriving from business combinations.

CGUs to which no goodwill is allocated are tested for impairment only if there is an indication that they may be impaired. In assessing whether there is any indication that a CGU may be impaired, the Group has defined three indicators for the tire business CGUs. They measure respectively the trends (i) in the market served by the CGU, (ii) in financial performance through the cost of sales margin and (iii) in the use of the installed production capacity. For the non-tire business CGUs, as well as for the distribution CGUs, the indicator used to measure trends in financial performance serves as the triggering indicator for an impairment test.

Recoverable amount is the higher of value in use and fair value less costs of disposal.

For most CGUs, recoverable amount is based on value in use, which is equal to estimated future cash flows calculated using the weighted average cost of capital (WACC) as a discount rate. Future cash flows are mainly based on the CGUs' five-year cash flow forecasts plus a terminal value, measured by discounting projected cash flows using the WACC. The discount rate is based on the cost of equity capital derived from the market-expected return on the Company's shares, the cost of debt and a risk premium reflecting the risks associated with the countries where the assets are located. The gearing and the beta are based on data from comparable segments and take into account the specificities of certain activities.

The recoverable amount of the distribution CGUs is measured at fair value less costs of disposal. Since most of these assets are land and buildings, external appraisals or other real estate valuation techniques are applied to measure their fair value.

Any impairment loss is recognized first against goodwill, and any remaining amount is allocated among the other non-current assets, proportionally to their net carrying amounts at the closing date.

When the circumstances which previously caused non-financial assets to be impaired no longer apply, the impairment losses are reversed accordingly. However, goodwill impairment can never be reversed.

Changes in impairment losses, including any reversals, are recognized in “Other operating income and expenses”.

3.18 Non-derivative financial assets

3.18.1 Asset categories

The Group classifies and measures its debt instruments in the following categories depending on their alignment with “solely payment of principal and interest“ (SPPI) criteria and with its business model:

- amortized cost: financial assets held to maturity in order to collect repayments from principal and interest;
- fair value through profit or loss: financial assets that do not meet the criteria to be classified as amortized costs (SPPI and HTC).

The Group measures all its unconsolidated equity investments at their fair value. When the Group chooses to use the irrevocable option to record fair value adjustments in other comprehensive income, the realized gains or losses on disposal are not recycled in the income statement. The impairment losses recognized on equity investments are not shown separately from the other changes in fair value.

3.18.2 Initial recognition and derecognition

Purchases and sales of non-derivative financial assets are recognized on the trade-date, *i.e.*, the date on which the Group commits to purchase or sell the asset. Non-derivative financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Non-derivative financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.18.3 Measurement

Loans and receivables are measured at amortized cost using the effective interest rate method.

Financial assets at fair value are valued by direct reference to a price quoted in an active market or on the basis of market assumptions (note 3.6 “Fair value of financial instruments”). Gains and losses, realized or unrealized, arising from changes in the fair value of financial assets at fair value through profit or loss are recognized immediately in other operating income and expenses.

Gains and losses, realized or unrealized, arising from changes in the fair value of financial assets at fair value through comprehensive income are recorded in other comprehensive income and never impact the income statement.

3.18.4 Impairment

At each reporting date, the Group looks for any objective indication of impairment of financial assets recorded at amortized cost.

The model for calculating the expected credit loss is determined on the basis of the counterparty rating and the associated default probability. The impairment loss is calculated over a period of 12 months given the non-deterioration of the credit risk of the counterparties. It is recognized in the income statement.

When the credit risk of a financial asset at amortized cost increases significantly, the expected credit loss is calculated over the life of the asset.

If there is no longer a reasonable way to recover the value of a financial asset at amortized cost, the asset is derecognized from the consolidated statement of financial position and impacts the income statement.

3.19 Inventories

Inventories are carried at the lower of cost and net realizable value.

The cost of raw materials, supplies and purchased finished goods includes the purchase price and other costs directly attributable to the acquisition. The cost of work in progress and manufactured finished goods comprises direct labor costs, other direct costs and production overheads based on the normal capacity of production facilities. Borrowing costs are expensed as incurred. The measurement of inventories and cost of sales using the standard cost method put in place by the Group, taking variances into account, is close to what would be obtained using the actual cost method.

Net realizable value is the estimated selling price less the estimated costs of completion and sale.

An impairment loss is recognized when net realizable value is lower than cost and is reversed when it becomes apparent that the circumstances which previously caused inventories to be written down below cost no longer exist. Indications of impairment include physical damage, obsolescence, slow-moving items, and market changes.

3.20 Trade receivables

Trade receivables are initially recognized at the amount unconditionally due by the customer. The Group manages its trade receivables in order to collect the contractual cash flows and measures its receivables at amortized cost, according to the effective interest rate method, after deduction of any impairment losses.

When payment terms are less than one year, the initial fair value and the subsequent amortized cost are equal to the nominal amount to the extent that the receivable does not include a significant financial component.

The Group applies the simplified approach provided under IFRS 9, which consists in calculating the expected credit loss over the life of the trade receivable. This model makes it possible to determine a credit loss expected at maturity for all trade receivables, as soon as they are recognized.

Expected credit losses are based on customer payment patterns that have been observed over 36 months, and trade credit losses historically recorded during this period.

An impairment loss is also recognized whenever there are objective indications that the Group will not be able to recover all amounts due under the terms of the original transaction. Bankruptcies, the use of legal procedures to protect against creditors, cases of known insolvency or disappearance of the debtor, late payments of more than six months, economic or political risks in the country of residence of the debtor, as well as the deterioration of the latter's solvency are all indicators that suggest that a trade receivable must be impaired. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash inflows at the initial effective interest rate. Before recognizing an impairment loss, the quality of the guarantees potentially obtained must be assessed, as well as the capacity to implement them. The impairment loss is recognized in "Sales and marketing expenses".

When the receivable is irrecoverable, it is canceled by offsetting it against the previously recognized impairment loss. Any subsequent cash inflows corresponding to previously derecognized receivables are recorded by reducing "Sales and marketing expenses" in the income statement.

3.21 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and other short-term highly liquid investments with initial maturities not exceeding three months. Term deposits maturing in more than three months, but with early withdrawal terms of less than three months with guaranteed capital and negligible withdrawal costs are also classified as cash and cash equivalents.

3.22 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are presented separately in reserves. The amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. When treasury shares are sold, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings.

3.23 Non-derivative financial liabilities

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated statement of financial position date.

Non-derivative financial liabilities are recognized initially at fair value, net of transaction costs, and subsequently at amortized cost. Any difference between the issue proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability at amortized cost. The remainder of the proceeds (after deducting the debt component), representing the value of the conversion option, is recognized in financial liabilities.

To the extent that borrowings are hedged by qualifying fair value hedges, the carrying amount of the hedged item is adjusted for the change in fair value attributable to the risk being hedged.

3.24 Employee benefit obligations

Wages, salaries, social security contributions, payments to defined contribution plans, annual leave and sick leave payments, bonuses and non-monetary benefits are recognized in the year in which the associated services are rendered by the employees.

Where employee benefits, such as certain pension plans, other post-employment benefits and other long-term benefits, are provided by the Group, a liability or an asset and the related costs are recognized.

3.24.1 Pension and other post-employment benefits

Post-employment benefits are benefits payable after employment ceases. The Group provides retirement benefits for most of its employees, either directly or by contributing to independently administered funds. The benefits provided by the Group vary according to the legal, tax and economic situation in each country and are usually based on one or more factors such as employees' compensation, age and years of service. The obligations relate both to current retirees and to the entitlements of future retirees.

The Group provides post-employment benefits under defined contribution plans and defined benefit plans.

In the case of defined contribution plans, the Group pays fixed contributions to fund managers or insurance companies. Once the contributions have been paid, the Group has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay the benefits expected by the beneficiaries.

The regular contributions are recognized as an expense for the year in which they are due and, as such, are included in cost of sales, sales and marketing expenses, research and development expenses or general and administrative expenses.

Group management policies regarding post-employment benefits have led to the transformation of defined benefit plans into defined contribution benefit plans since the early 2000s. Nevertheless, a significant portion of the post-employment benefit plans provided by the Group are still defined benefit plans. They are either externally funded plans (mainly pension plans), for which the plan assets are held separately in independently administered funds, or unfunded plans such as healthcare plans and end-of-service benefit plans.

Post-employment benefit obligations, and the related current service cost, are measured using the projected unit credit method.

A defined benefit plan is a plan that defines an amount of benefits that the Group is committed to pay to current and former employees.

All defined benefit plans are subject to actuarial valuations carried out annually for the largest plans and on a regular basis for other plans. These actuarial valuations are carried out with the help of independent actuaries. Actuarial assumptions, primarily discount rates, projected salary increase rates, inflation rates and expected growth in healthcare costs are incorporated into the actuarial valuations and reviewed annually.

The liabilities or assets recognized in the consolidated statement of financial position in respect of defined benefit plans correspond to the present value of the defined benefit obligation at the reporting date, less the fair value of plan assets. They take into account any unrecognized assets not available in the form of refunds or a reduction in future contributions.

The present value of the defined benefit obligation corresponds to the estimated future cash outflows, calculated using a discount rate established by reference to a market rate based on interest rates of high-quality corporate bonds that have maturities approximating the duration of the related post-employment benefit obligation.

A net asset is recognized only to the extent that it represents a future economic benefit that is actually available to the Group in the form of refunds from the plan or reductions in future contributions.

When a defined benefit plan is subject to a minimum funding requirement (MFR), the Group determines whether paying these contributions may give rise to a surplus in that defined benefit plan. To the extent that the surplus in the plan exceeds the available economic benefits, the Group immediately recognizes a decrease in the defined benefit asset or an increase in the defined benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Past service costs may arise when new defined benefit plans are set up, when changes to benefits payable under an existing defined benefit plan are introduced or when curtailments occur. They are recognized immediately in the income statement.

The Group's net benefit plan cost recognized in the income statement includes the current service cost for the period, curtailment and settlement gains and losses, past service cost, as well as actuarial gains and losses arising under other long-term benefit plans. Net interest on the net defined benefit liability (asset) is recognized outside operating income.

3.24.2 Share-based payments

Employee stock option plans

Benefits related to stock options, which may be granted to some Group employees, are measured at the grant date using the binomial option pricing model.

The grant date is the date when the Managing Chairman decides on the list of plan beneficiaries and the number of options granted to them.

The binomial model is based on the spot price for Company shares, the exercise price, the historical volatility of the shares (over a period equal to the expected lifetime of the option), a risk-free interest rate (zero coupon government bonds with a maturity equal to the expected lifetime of the option), and a dividend stream based on market expectations.

Benefits are spread over the period during which the services are rendered. They are recognized in “Segment other income and expenses”.

Share grants and performance share plans

The Group may adopt plans to grant free shares of the Company to certain employees or to its Managers.

The grant date is the date when the Managing Chairman decides on the list of plan beneficiaries and the number of performance shares granted to them.

The fair value of the performance shares granted corresponds to the Company's share price on the grant date less:

- the present value of dividends that will not be received by the grantees during the vesting period;
- the value of the stock market performance condition on the grant date, which depends on the probability of the condition being fulfilled.

The number of shares that will ultimately be issued at the end of the vesting period depends on the extent to which the Group's performance and service conditions are met.

The total benefit cost is based on the fair value of the performance shares and the estimated number of shares that will ultimately be issued. This cost is recognized over the vesting period and is recognized in "Segment other income and expenses".

Employee share ownership plan

The Group may offer most of its employees the opportunity to participate in a share ownership plan allowing them to purchase Company shares.

These shares, which are subject to certain restrictions relating to their sale or transfer, may be purchased by the employees at a subscription price based on the Michelin share price, less a discount. The benefit granted to the employees equals the difference between the fair value of the shares acquired (after deducting the five-year lock-up cost) and the price paid by the employees, multiplied by the number of shares acquired.

The benefit granted to the employees is immediately expensed by the Group, as no vesting period applies, and is booked under Employee benefit costs – Share-based payments, within "Segment other income and expenses".

3.25 Provisions

Provisions are recognized when a legal or constructive obligation has been incurred that will probably lead to an outflow of resources that can be reasonably estimated.

Provisions for reorganizations and adaptation of activities are recognized when the Group has a detailed formal plan that has been announced.

Provisions are recorded at the net present value of the estimated cash outflows.

3.26 Trade payables

Trade payables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

The Group has put in place paying agent agreements with several financial institutions. Under these agreements, the financial institution acts as a paying agent with respect to invoices due to suppliers who have entered into a bilateral agreement with the financial institution in order to be in position to factor their trade receivables from the Group.

The agreements' classification in trade payables is supported by a multi-criteria analysis. In particular:

- the factoring transaction is completely independent from the commercial relationship;
- the supplier has full discretion to decide – on a case-by-case basis – whether to factor its receivables;
- the date of payment to the supplier or the bank, whichever is the case, corresponds to the payment date shown on the invoice;
- the Group is not affected by the factoring cost because the discount is borne by the supplier and is paid directly to the bank.

Trade payables concerned by the program are presented separately in the consolidated statement of financial position under "Trade payables covered by reverse factoring contracts". In the consolidated statement of cash flows, these transactions are included in operating or investing activities (note 31 "Notes to the statement of cash flows").

NOTE 4 CHANGES IN THE SCOPE OF CONSOLIDATION

The Group's main acquisitions, joint-venture creations and disposals in 2019 and 2020 are presented below:

Entity	Transaction type	Transaction date	Purchase price allocation status at December 31, 2020	Note
Multistrada	Acquisition	March 6, 2019	final	4.2.1
Masternaut	Acquisition	May 22, 2019	final	4.2.2

4.1 Operations in 2020

During 2020, the Group completed several acquisitions that were individually not material, representing a total investment of €40 million.

4.2 Purchase price allocation for transactions carried out in 2019

4.2.1 Multistrada

The purchase price allocation was finalized during the 12-month post-acquisition period. Final goodwill recognized at December 31, 2020 amounted to €140 million, versus provisional goodwill of €164 million recorded at December 31, 2019.

This goodwill, allocated to the Passenger car tires – regional brands CGU, corresponds primarily to the value attributed to the expected synergies, which include strengthening the Group's presence in the highly promising Indonesian market and gradually converting production from Tier 3 passenger car tires to Tier 2 Group brands with limited new investment, thereby allowing more Tier 1 production at other Asian plants and supporting growing demand for Tier 2 tires in Europe, North America and Asia.

4.2.2 Masternaut

The purchase price allocation was finalized during the 12-month post-acquisition period. Final goodwill recognized at December 31, 2020 amounted to €71 million, unchanged from the provisional amount recorded at December 31, 2019.

This goodwill, allocated to the Light truck and Truck tires CGU group, corresponds primarily to the value attributed to the expected synergies, which include increasing the pace of growth of the light truck Services and Solutions businesses in the extremely buoyant fleet market, deploying the offering in all European countries and using data to provide the best solutions to customers, improve product performance and develop data science businesses such as predictive maintenance.

NOTE 5 SEGMENT REPORTING

Segment information is presented according to the following three operating segments:

- Automotive and related distribution;
- Road transportation and related distribution;
- Specialty businesses and related distribution.

The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities, as well as the Conveyor Belt and High-Technology Materials activities. The Services & Solutions businesses are included for the most part in the "Road transportation and related distribution" segment.

The operating segments' performance is measured mainly at the level of sales and segment operating income, according to the same measurement principles used in the consolidated income statement.

Segment assets consist of goodwill, intangible assets, property, plant and equipment, right-of-use assets, trade receivables and finished product inventories. Corporate intangible assets and property, plant and equipment are allocated to each segment in proportion to the amount of their directly attributed assets. The amounts provided to the Group's management in respect of operating segment assets are measured in a manner consistent with the consolidated financial statements. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

No operating liabilities are allocated to the segments in the internal report provided to the Group's management.

Segment information is as follows:

	2020				2019			
(in € millions)	**Automotive and related distribution**	**Road transportation and related distribution**	**Specialty businesses and related distribution**	**Total**	**Automotive and related distribution**	**Road transportation and related distribution**	**Specialty businesses and related distribution**	**Total**
PROFIT AND LOSS INFORMATION								
Sales	10,103	5,373	4,993	**20,469**	11,851	6,448	5,836	**24,135**
Segment operating income	839	302	737	**1,878**	1,321	597	1,091	**3,009**
As a percentage of sales	*8.3%*	*5.6%*	*14.8%*	***9.2%***	*11.1%*	*9.3%*	*18.7%*	***12.5%***
SEGMENT ASSETS								
Goodwill, PP&E, intangible assets and right-of-use assets	7,294	3,680	5,046	**16,020**	7,911	4,518	5,408	**17,837**
Finished product inventories	1,042	752	688	**2,482**	1,252	879	806	**2,937**
Trade receivables	1,359	984	675	**3,018**	1,589	1,094	849	**3,532**
Segment assets	**9,695**	**5,416**	**6,409**	**21,520**	**10,752**	**6,491**	**7,063**	**24,306**
Other information								
Capital expenditure	628	339	254	**1,221**	897	492	412	**1,801**

The Group derives 95.3% of its revenue (2019: 95.4%) from tire sales and sales related to the supply of tires to the original equipment or replacement market, plus sales of Fenner conveyor belts. In all, these sales total €19,497 million (2019: €23,024 million). Sales are recognized at the exact point in time when control of the goods is transferred to the customer.

Revenue recognized in 2020 deriving from commercial fleet tire management contracts and from contracts for the supply of telematics services, each of which being a performance obligation satisfied over time, amounts to €560 million (2019: €581 million), representing 2.7% of total sales (2019: 2.4%).

Segment reporting assets are reconciled to total Group assets as follows:

(in € millions)	December 31, 2020	December 31, 2019
Segment assets	**21,520**	**24,306**
Non-current financial assets and other non-current assets	865	796
Investments in equity-accounted companies	941	1,087
Deferred tax assets	729	814
Other net inventories (raw materials and supplies, work in progress)	1,477	1,757
Current financial assets	429	396
Other current assets	929	1,055
Cash and cash equivalents	4,747	1,466
TOTAL GROUP ASSETS	**31,637**	**31,677**

Information by region breaks down as follows:

	2020				2019			
(in € millions)	Europe	North America	Other	Total	Europe	North America	Other	Total
Sales	7,640	7,102	5,727	**20,469**	8,847	8,902	6,386	**24,135**
Goodwill, PP&E, intangible assets and right-of-use assets	6,572	4,997	4,451	**16,020**	6,850	5,817	5,170	**17,837**
Capital expenditure	561	284	376	**1,221**	822	460	519	**1,801**

Europe includes the Western and Eastern European countries. North America includes Mexico. Asian, South American, Middle Eastern, Oceanic and African countries are included in Other.

The Group sales information is based on the location of the customer.

Sales generated in France amounted to €1,762 million (2019: €2,113 million). Goodwill, intangible assets and PP&E located in France amounted to €2,418 million (2019: €2,488 million).

Approximately 80% of North American sales were generated in the United States in 2019 and 2020.

No single external customer accounted for 10% or more of the Group's sales in 2020 and 2019.

NOTE 6 EXPENSES BY NATURE

The following segment operating costs are allocated by function to the appropriate expense headings in the income statement:

(in € millions)	2020	2019
Raw materials and consumables used and changes in finished product inventories	(6,923)	(8,889)
Employee benefit costs	(5,970)	(6,423)
Transportation of goods	(1,095)	(1,232)
Depreciation and amortization(1)	(1,753)	(1,754)
Other expenses	(2,850)	(2,828)
EXPENSES BY NATURE	**(18,591)**	**(21,126)**

(1) Excluding amortization of trademarks and customer relationships acquired through business combinations.

NOTE 7 EMPLOYEE BENEFIT COSTS

Employee benefit costs are allocated by function to the appropriate expense headings in the income statement:

(in € millions)	2020	2019
Wages and salaries	(4,743)	(5,140)
Payroll taxes	(893)	(941)
Defined benefit plan costs (note 27.1)	(129)	(51)
Defined contribution plan costs (note 27.2)	(217)	(226)
Share-based payments – current service cost (note 25)	(14)	(7)
EMPLOYEE BENEFIT COSTS	**(5,996)**	**(6,365)**

The average number of employees in 2020 was 124,533 (2019: 128,850).

NOTE 8 SEGMENT OTHER INCOME AND EXPENSES

Segment other income and expenses are recognized in the income statement as follows:

(in € millions)	2020	2019
Employee share ownership plan cost (note 28.3)	(14)	-
Share-based payments – current service cost (note 28.2)	(17)	(7)
Other operating income/(expenses)	(96)	(12)
SEGMENT OTHER INCOME AND EXPENSES	**(127)**	**(19)**

The increase in segment other operating expenses in 2020 was mainly due to Covid-19-related purchases of face masks, hand sanitizer, mask manufacturing equipment, cleaning and disinfection costs, for €96 million (note 2.5).

NOTE 9 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are detailed in the table below:

(in € millions)	2020	2019
Amortization of acquired trademarks and customer relationships (note 9.1)	(87)	(91)
Reorganization and adaptation of activities (note 9.2)	(59)	(174)
Impairment of non-current assets (note 9.3)	(285)	(146)
Employee benefit obligations (note 9.4)	(26)	58
Other (note 9.5)	(18)	35
OTHER OPERATING INCOME AND EXPENSES	**(475)**	**(318)**

9.1 Amortization of acquired trademarks and customer relationships

Amortization of intangible assets recognized in the course of a business combination amounts to €87 million in 2020 (2019: €91 million): €26 million related to amortization of brands or trademarks (2019: €28 million) and €61 million to amortization of customer relationships (2019: €63 million).

9.2 Reorganizations and adaptation of activities

9.2.1 Year ended December 31, 2020

Reorganization expense of €59 million recorded in 2020 included the cost of new reorganization plans that were individually not material and adjustments to existing provisions.

9.2.2 Year ended December 31, 2019

The Bamberg plant in Germany primarily manufactures 16-inch passenger car tires. In September 2019, the Group announced its decision to cease operations at the Bamberg plant by early 2021. The Group's priority is now to provide the plant's 858 employees with the support they need to face the consequences of this decision in the best possible conditions.

An expense amounting to €97 million was recognized, mainly to cover the cost of the employee-related aspects of the project, as well as the costs required to deploy the revitalization plan to help the impacted area.

In October 2019, the Group announced its intention to close the La Roche-sur-Yon plant in France, which specializes in the manufacture of truck tires, by the end of 2020. The Group's priority is to support each of the 619 employees in a joint process to build their future career, and a dedicated program fostering voluntary mobility has been set up.

An expense amounting to €73 million was recognized to cover the cost of the employee-related aspects of the project, as well as the costs necessary to convert the site.

9.3 Impairment of fixed assets

9.3.1 Year ended December 31, 2020

The Group has a plant in India that primarily manufactures premium truck tires, sold for the most part in the domestic market. In light of this market's growing structural difficulties, the Group revised its growth projections for the premium segment. Various initiatives to improve the plant's margins failed to deliver the hoped-for results and the carrying amount of this industrial asset was therefore written down in full, representing an impairment loss of €164 million.

In addition, impairment losses were recorded on the intangible assets of the Tablet online hotel reservation agency for €37 million and the intangible assets of Nextraq for €19 million.

9.3.2 Year ended December 31, 2019

Impairment losses of €146 million recorded in 2019 mainly concerned the Bamberg and La Roche-sur-Yon restructurings for €79 million.

9.4 Employee benefit obligations

9.4.1 Year ended December 31, 2020

No material events occurred in 2020.

9.4.2 Year ended December 31, 2019

In France, the transformations needed to align the supplementary pension plan with the requirements of government order 2019-697 dated July 3, 2019 led to the recognition of negative past service costs (income) in an amount of €68 million (note 27.1).

9.5 Other operating income and expenses

9.5.1 Year ended December 31, 2020

No material events occurred in 2020.

9.5.2 Year ended December 31, 2019

Net other operating income of €35 million includes the profit recognized in connection with the creation of the Symbio joint venture with Faurecia.

NOTE 10 COST OF NET DEBT AND OTHER FINANCIAL INCOME AND EXPENSES

Cost of net debt and other financial income and expenses are broken down in the table below:

(in € millions)	2020	2019
Interest expense	(199)	(263)
Interest expense on lease liabilities	(38)	(40)
Interest income	-	4
Interest rate derivatives	(7)	(33)
Fees on credit lines	(5)	(3)
Capitalized borrowing costs	7	5
COST OF NET DEBT	**(242)**	**(330)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	18	16
Currency remeasurement (including currency derivatives)	(19)	(9)
Other	(13)	(12)
OTHER FINANCIAL INCOME AND EXPENSES	**(14)**	**(5)**

10.1 Derivatives not accounted for using hedge accounting

As described in the financial risk management policy, the Group's financing activities are mostly centralized (note 33.1.2 "Liquidity risk") and the interest rate risk is managed through the use of "plain vanilla" derivative instruments (note 33.1.4 "Interest rate risk"). As a consequence:

- most borrowings are denominated in euros (note 26 "Financial liabilities");
- some of these borrowings are subsequently swapped into foreign currencies to finance the foreign subsidiaries; and
- derivatives are purchased to manage the interest rate risk in these currencies (note 16 "Derivative instruments").

This process is described in the summary table in note 33.2.3 "Interest rate risk".

Although these transactions provide effective economic hedges, they do not qualify for hedge accounting under IFRS and therefore they cannot be recognized as cash flow hedges as described in note 3.5 "Hedging". Fluctuations in the derivatives' fair values are therefore accounted for in the income statement. The decrease in fair value during the year amounted to €7 million (2019: decrease of €33 million) and is included in "Cost of net debt" under "Interest rate derivatives".

10.2 Ineffective hedges

The effectiveness of the hedge is determined at the beginning of the hedging relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument. A hedging relationship may become ineffective if the timing of the planned transaction changes from the original estimate.

There was no ineffective portion of cash flow hedges in 2020 (2019: €2 million gain, recorded under "Other financial income and expenses").

NOTE 11 INCOME TAX

11.1 Income tax expense

(in € millions)	2020	2019
Current tax expense (note 18.2)	(351)	(548)
Deferred tax benefit/(expense) (note 18.1)	(3)	42
INCOME TAX	**(354)**	**(506)**

Current tax includes €37 million of withholding tax on royalties and on retained earnings distributed between Group companies (2019: €56 million).

The Group's tax proof is presented in the table below:

(in € millions)	2020	2019
Income before taxes	**979**	**2,236**
Tax calculated using domestic tax rates applicable to income in the respective countries	(229)	(410)
Tax effect of:		
▶ untaxed transactions	(24)	15
▶ deferred tax assets not recognized during the period	(115)	(87)
▶ net change in unrecognized deferred tax assets	41	15
▶ changes in tax rates	14	3
▶ taxes with no tax base (tax credits, withholding tax, etc.)	(34)	(51)
▶ other items	(7)	9
INCOME TAX	**(354)**	**(506)**

The Group has operations in various countries that have different tax laws and rates. The weighted average domestic tax rate of Group companies may therefore vary from year to year depending on the relative size of taxable incomes.

The difference between the Group's effective and theoretical tax rates can be explained mainly by deferred tax assets not recognized during the year and by withholding taxes, tax credits and other taxes not assessed on income before tax.

The utilization of deferred tax assets is periodically reviewed at the tax entity level and may lead to the recognition of previously unrecognized deferred tax assets. In 2020, the €41 million net change in unrecognized deferred tax assets primarily reflects temporary differences recognized in China.

11.2 Tax audit in Germany

Following a tax audit covering the years 2005 to 2009, a German subsidiary was notified in 2018 of a €382 million reassessment of its corporate income tax base determined by estimating its taxable income for the audited period by reference to the Group’s average profit margin. The reassessment includes an amount of €298 million corresponding to the effects on the subsidiary of the Group's transfer pricing policy, which was challenged by the tax administration.

The Group has challenged all of the German tax administration's arguments.

On July 17, 2018, a procedure was initiated with the tax authorities to defer payment of the tax deficiency and late interest while the dispute procedure was in progress; as a result of this application, the payments made were not material. In addition, an appeal was lodged with a higher authority challenging the methodology used by the tax authorities and based on the Group’s average profit margin.

On December 16, 2019, the Group filed a Mutual Agreement Procedure (MAP) under the EU Arbitration Convention and the respective Double Tax Treaties, for the total reassessment amounting to €382 million.

In November 2020, the reassessment for the period 2005-2009 was revised downwards to €96 million from €382 million previously. The appeal lodged with a higher authority is still pending, based on the revised €96 million reassessment of the corporate income tax base.

In 2016, a second tax audit covering the years 2010 to 2014 was launched. As of December 31, 2020, the Group had yet not received any notice of reassessment in this respect.

In 2020, the perceived tax risk increased due to second half-year developments as well as the duration of pending proceedings. Consequently, the Group revised its estimate of the related provision.

NOTE 12 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year, excluding shares bought back by the Group and held as treasury shares.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. At December 31, 2020 the Company had two types of dilutive potential shares: stock options (note 28.1 “Employee stock option plans”) and performance shares (note 28.2 “Performance share plans”). For stock options, when they are dilutive at the reporting date, the number of shares that could have been acquired at fair value is calculated based on the monetary value of the subscription rights attached to outstanding stock options. Fair value is determined for this purpose as the average annual market price of the Company's shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming exercise of the stock options. Since performance shares are granted free of charge and are dilutive by definition, the number of shares that are expected to be issued is determined at the reporting date based on estimates.

Components of the basic and diluted earnings per share calculations are presented in the table below:

Taking into account the change in the average share price in 2020, all the stock option plans, as described in note 28.1 "Employee stock option plans", are dilutive.

No share transactions affecting the weighted average number of shares used to calculate basic earnings per share and diluted earnings per share occurred after the end of the 2020 reporting period.

	2020	2019
Net income *(in € millions)*, excluding non-controlling interests	632	1,751
▶ Less, estimated General Partners' profit shares	(4)	(11)
Net income attributable to the shareholders of the Company used to calculate basic earnings per share	**628**	**1,740**
Weighted average number of shares outstanding *(thousands of shares)* **used to calculate basic earnings per share**	**178,310**	**179,512**
▶ Plus, adjustment for stock option plans	12	34
▶ Plus, adjustment for performance shares	848	607
Weighted average number of shares used to calculate diluted earnings per share	**179,170**	**180,153**
EARNINGS PER SHARE *(in €)*		
▶ Basic	3.52	9.69
▶ Diluted	3.51	9.66

NOTE 13 GOODWILL AND INTANGIBLE ASSETS

Changes in goodwill and intangible assets are as follows:

(in € millions)	Goodwill	Intangible assets	Total
Gross carrying amounts at January 1, 2019	**2,231**	**3,809**	**6,040**
Translation adjustments	67	77	144
Additions (including new emission rights: €20 million)	-	227	227
Disposals	-	(71)	(71)
Change in scope of consolidation	150	59	209
Transfers and other	-	(4)	(4)
Gross carrying amounts at December 31, 2019	**2,448**	**4,097**	**6,545**
Translation adjustments	(242)	(201)	(443)
Additions (including new emission rights: €19 million)	-	200	200
Disposals	-	(55)	(55)
Change in scope of consolidation	19	-	19
Transfers and other	-	(23)	(23)
Gross carrying amounts at December 31, 2020	**2,225**	**4,018**	**6,243**
Amortization and impairment at January 1, 2019	**(71)**	**(1,592)**	**(1,663)**
Translation adjustments	(3)	(5)	(8)
Amortization	-	(256)	(256)
Net impairment	(36)	(15)	(51)
Disposals	-	48	48
Change in scope of consolidation	49	4	53
Transfers and other	1	(1)	-
Amortization and impairment at December 31, 2019	**(60)**	**(1,817)**	**(1,877)**
Translation adjustments	5	77	82
Amortization	-	(265)	(265)
Net impairment	(33)	(47)	(80)
Disposals	-	35	35
Change in scope of consolidation	-	-	-
Transfers and other	(1)	(21)	(22)
Amortization and impairment at December 31, 2020	**(89)**	**(2,038)**	**(2,127)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2020	**2,136**	**1,980**	**4,116**
Net carrying amounts at December 31, 2019	**2,388**	**2,280**	**4,668**

13.1 Goodwill

At December 31, 2020, goodwill allocated to the CGUs or groups of CGUs is as follows:

(in € millions)	December 31, 2020	December 31, 2019
Passenger car tires – global brands CGU group	358	382
Passenger car tires – regional brands CGU	150	177
Light truck and Truck tires CGU group	573	680
Mining CGU group	241	254
Two-wheel tires CGU	18	25
Off-the-road tires CGU	637	698
High-Tech Materials CGU group	159	154
Other CGUs	-	18
GOODWILL	**2,136**	**2,388**

To take into account the uncertainty surrounding the pandemic's overall impact on global economic activity (duration and severity of the global recession), the Group considered a scenario that modeled the projected change in global gross domestic product (GDP). A return to 2019 business levels is expected in the second half of 2022. The resulting future cash flow estimates were used to calculate the value in use of the different CGUs and groups of CGUs.

Goodwill has been tested for impairment using the following two main assumptions:

- the terminal value takes into account an annual growth rate that depends on the type of business and the countries where the assets are located; the granularity of data used to determine growth rates was revised in 2020 and is now based on a more differentiated analysis of tire markets;
- the CGUs' future cash flows are discounted using the after-tax weighted average cost of capital (WACC) applied to after-tax cash flows. They are determined by geographical region taking into account the features of the business. Due to the decline in interest rates but also the increased volatility of market premiums over the period, the weighted average costs of capital (WACC) used for the tests at December 31, 2020 were stable compared with December 31, 2019.

After-tax discount rates and perpetual growth rates used in 2020 for terminal value calculations are presented in the table below:

(%)	WACC	Perpetual growth rate
Passenger car tires – global brands CGU group	7.6	1.5
Light truck and Truck tires CGU group	7.8	1.1
Passenger car tires – regional brands CGU	7.6	1.6
Mining CGU group	9.0	1.5
Two-wheel tires CGU	7.5	1.4
Off-the-road tires CGU	7.4	1.8
High-Tech Materials CGU group	8.3	2.5

A 50-basis point increase in WACC combined with a 100-basis point decrease in the perpetual growth rate applied to the groups of CGUs would not lead to the recognition of any significant impairment.

Sensitivity tests were performed on the business assumptions. In the current environment shaped by the Covid-19 crisis, the most relevant business assumption concerns the timing of the economic recovery. Under a scenario in which business volumes would not return to 2019 levels until the end of 2023, rather than the end of 2022, and a 100-bps reduction in the perpetual growth rate, an impairment loss of around €75 million would be recorded.

To take into account the effect of the application of IFRS 16, right-of-use assets have been included in the assets to be tested, the corresponding lease liabilities have been deducted from the value of the CGUs concerned and values in use include the lease payments determined previously, before IFRS 16 was applied. This pragmatic approach does not preclude other approaches to this subject that may be implemented in the future.

13.2 Intangible assets

In 2020, additions to intangible assets, amounting to €200 million (2019: €227 million), are detailed as follows:

- Software: €167 million
- Carbon emission rights: €19 million
- Other: €14 million

13.2.1 Software

The net carrying amount of software at December 31, 2020 was €645 million (2019: €653 million). Software is initially recognized at cost, including the cost of acquisition or production and other costs directly attributable to the acquisition or production of the software.

13.2.2 Brands and trademarks

At December 31, 2020, the net carrying amount of brands and trademarks in the consolidated statement of financial position was €363 million (2019: €432 million), of which €7 million related to brands and trademarks with indefinite useful lives. These amounts correspond mainly to the value of brands and trademarks recognized as part of business combinations.

13.2.3 Customer relationships

At December 31, 2020, the net carrying amount of customer relationships in the consolidated statement of financial position was €826 million (2019: €970 million). These amounts correspond primarily to the value of customer lists recognized in connection with business combinations (mainly Fenner and Camso).

13.2.4 Carbon emission rights

The emission rights received or purchased are recognized as an intangible asset at their price on the transaction date. If emission rights are not purchased, a government grant is recognized in liabilities for the same amount. The cost and liability corresponding to actual emissions and the income corresponding to the use of the government grant are accounted for using the price on the acquisition date. Net emission rights at December 31, 2020 amounted to 2.7 million tonnes (2019: 2.5 million tonnes), representing a value of €44 million (2019: €37 million). The liability corresponding to actual emissions in 2020 amounts to 0.7 million tonnes (2019: 0.8 million tonnes) representing a value of €13 million (2019: €13 million). It will be offset by the delivery of the acquired allowances.

13.2.5 Development costs

In 2019 and 2020, no development costs were capitalized since the criteria for recognition as intangible assets were not met. To be recognized as an asset, the development costs incurred for a new product or a significant product renewal project must fulfill six criteria. One of these criteria requires the entity to demonstrate the existence of a market for the output of the intangible asset. The existence of a market is demonstrated only when the Group has obtained OEM approval and when the margin generated by the purchase volumes proposed by the manufacturers is in line with Group objectives. In practice, the corresponding development costs are incurred at a stage of the project which is prior to OEM approval.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

14.1 Property, plant and equipment

Changes in property, plant and equipment are as follows:

(in € millions)	Land and buildings	Plant and industrial equipment	Other equipment	Total
Gross carrying amounts at January 1, 2019	**6,647**	**19,790**	**1,414**	**27,851**
Translation adjustments	116	356	23	495
Acquisitions	306	1,172	116	1,594
Disposals	(128)	(545)	(54)	(727)
Change in scope of consolidation	191	232	1	424
Transfers and other	(125)	92	43	10
Gross carrying amounts at December 31, 2019	**7,007**	**21,097**	**1,543**	**29,647**
Translation adjustments	(360)	(1,181)	(84)	(1,625)
Acquisitions	135	817	89	1,041
Disposals	(106)	(501)	(70)	(677)
Change in scope of consolidation	(2)	31	2	31
Transfers and other	32	(26)	(14)	(8)
Gross carrying amounts at December 31, 2020	**6,706**	**20,237**	**1,466**	**28,409**
Depreciation and impairment at January 1, 2019	**(2,961)**	**(12,557)**	**(1,021)**	**(16,539)**
Translation adjustments	(46)	(219)	(15)	(280)
Depreciation	(187)	(1,096)	(80)	(1,363)
Net impairment	(17)	(54)	-	(71)
Disposals	91	496	63	650
Change in scope of consolidation	-	1	2	3
Transfers and other	(2)	3	(6)	(5)
Depreciation and impairment at December 31, 2019	**(3,122)**	**(13,426)**	**(1,057)**	**(17,605)**
Translation adjustments	150	728	57	935
Depreciation	(191)	(1,074)	(81)	(1,346)
Net impairment	(75)	(106)	(12)	(193)
Disposals	90	477	61	628
Change in scope of consolidation	6	(8)	(1)	(3)
Transfers and other	(2)	1	(3)	(4)
Depreciation and impairment at December 31, 2020	**(3,144)**	**(13,408)**	**(1,036)**	**(17,588)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2020	**3,562**	**6,829**	**430**	**10,821**
Net carrying amounts at December 31, 2019	**3,885**	**7,671**	**486**	**12,042**

PP&E in progress amount to €1,328 million (2019: €1,949 million).

Accumulated impairment losses amount to €449 million (2019: €386 million) (note 9.3.1).

Borrowing costs capitalized in 2020 in PP&E amounted to €7 million (2019: €5 million).

14.2 Right-of-use assets

Right-of-use assets can be analyzed as follows:

(in € millions)	Right-of-use assets Land and buildings	Right-of-use assets Plant and industrial equipment	Right-of-use assets Other equipment	Total
Gross carrying amounts at January 1, 2019	**267**	**1**	**134**	**402**
Translation adjustments	20	1	3	24
Change in accounting method	672	70	74	816
New leases	157	30	30	217
Disposals	(9)	(1)	(2)	(12)
Change in scope of consolidation	1	-	-	1
Transfers and other	(11)	(1)	(4)	(16)
Gross carrying amounts at December 31, 2019	**1,097**	**100**	**235**	**1,432**
Translation adjustments	(54)	(7)	(12)	(73)
New leases	132	42	36	210
Disposals	(28)	(12)	(14)	(54)
Change in scope of consolidation	2	-	-	2
Transfers and other	28	(4)	29	53
Gross carrying amounts at December 31, 2020	**1,177**	**119**	**274**	**1,570**
Depreciation and impairment at January 1, 2019	**(40)**	**-**	**(30)**	**(70)**
Translation adjustments	(2)	-	-	(2)
Change in accounting method	(19)	(1)	-	(20)
Depreciation	(148)	(34)	(44)	(226)
Net impairment	(1)	-	-	(1)
Disposals	9	1	2	12
Change in scope of consolidation	-	-	-	-
Transfers and other	(7)	8	1	2
Depreciation and impairment at December 31, 2019	**(208)**	**(26)**	**(71)**	**(305)**
Translation adjustments	11	2	3	16
Depreciation	(146)	(36)	(47)	(229)
Net impairment	(11)	-	-	(11)
Disposals	28	12	14	54
Change in scope of consolidation	-	-	-	-
Transfers and other	(18)	8	(2)	(12)
Depreciation and impairment at December 31, 2020	**(344)**	**(40)**	**(103)**	**(487)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2020	**833**	**79**	**171**	**1,083**
Net carrying amounts at December 31, 2019	889	74	164	1,127

Some leases are recorded directly as an expense in the income statement on a straight-line basis over the life of the lease.

This is the case for:

- short-term leases, representing an expense of €33 million in 2020 (2019: €40 million);
- leases of low-value assets, representing an expense of €40 million for the year (2019: €41 million);
- variable lease payments not taken into account to determine the lease liability, representing an expense of €16 million (2019: €24 million).

Undiscounted future lease payments are analyzed by maturity in note 33.2.1 "Liquidity risk".

NOTE 15 NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS

The carrying amount of the non-current financial assets and other non-current assets is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Equity investments (note 15.1)	229	237
Loans and deposits (note 15.2)	294	277
Derivative instruments (note 16.1)	101	127
Pension plan surpluses (note 27.1)	211	45
Other	30	110
NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS	**865**	**796**

15.1 Unconsolidated equity investments

Unconsolidated equity investments consist primarily of a portfolio of shares in unlisted companies (note 33.4 "Classification of financial assets").

Movements in the portfolio during the year are presented in the table below:

(in € millions)	2020	2019
At January 1	**237**	**233**
Translation adjustments	(5)	2
Acquisitions	14	15
Disposals	(45)	(17)
Change in scope of consolidation	-	1
Fair value changes	28	3
AT DECEMBER 31	**229**	**237**

15.2 Loans and deposits

The carrying amount of loans and deposits is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Gross loans and deposits	335	320
Impairment	(41)	(43)
TOTAL	**294**	**277**

The balance includes loans to employees and customers, as well as loans to equity-accounted entities.

NOTE 16 DERIVATIVE INSTRUMENTS

As mentioned in note 3.5 "Hedging", some derivatives, while complying with the Group's financial risk management policies, do not qualify or have not been designated as hedging instruments for hedge accounting purposes.

16.1 Derivatives recognized in assets

(in € millions)	December 31, 2020	December 31, 2019
Derivatives qualifying as fair value hedges		-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	45	74
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	38	14
▶ Interest-rate derivatives	-	-
▶ Other derivatives(1)	18	39
Non-current derivative instruments (note 15)	**101**	**127**
Derivatives qualifying as fair value hedges	-	-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	2	2
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	1
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	49	18
▶ Interest-rate derivatives	-	-
▶ Other derivatives	1	-
Current derivative instruments (note 21)	**52**	**21**
TOTAL ASSETS	**153**	**148**

(1) Corresponds to financial instruments acquired as hedges of the options embedded in convertible bonds (note 26.1).

The Group grants cash collateral to cover counterparties' credit risk on derivatives with a positive fair value. Collateral received at December 31, 2020 amounted to €22 million (2019: €103 million).

16.2 Derivatives recognized in liabilities

(in € millions)	December 31, 2020	December 31, 2019
Derivatives qualifying as fair value hedges		-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	21	-
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	23	131
▶ Interest-rate derivatives	5	3
▶ Other derivatives[(1)]	18	39
Non-current derivative instruments (note 26)	**67**	**173**
Derivatives qualifying as fair value hedges	-	-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	1	1
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	1
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	49	19
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Current derivative instruments (note 26)	**50**	**21**
TOTAL LIABILITIES	**117**	**194**

(1) Corresponds to the options embedded in convertible bonds (note 26.1).

The Group holds cash collateral covering its credit risk on derivatives with a negative fair value. Collateral received at December 31, 2020 amounted to €49 million (2019: €58 million).

16.3 Derivative contractual amounts

The contractual amounts of derivative instruments are presented in the table below:

	December 31, 2020			December 31, 2019		
(in € millions)	Current	Non-current	Total	Current	Non-current	Total
Currency derivatives	3,799	1,306	5,105	3,340	1,736	5,076
Interest rate derivatives	81	81	162	19	89	108
Other	-	1,954	1,954	-	2,144	2,144
Derivatives not qualifying for hedge accounting	**3,880**	**3,341**	**7,221**	**3,359**	**3,969**	**7,328**
Interest rate derivatives	-	-	-	-	-	-
Derivatives qualifying as fair value hedges	**-**	**-**	**-**	**-**	**-**	**-**
Currency derivatives	57	981	1,038	63	1,011	1,074
Interest rate derivatives	-	-	-	-	-	-
Other	4	1	5	12	1	13
Derivatives qualifying as cash flow hedges	**61**	**982**	**1,043**	**75**	**1,012**	**1,087**
TOTAL	**3,941**	**4,323**	**8,264**	**3,434**	**4,981**	**8,415**

The "Other" derivatives not qualifying for hedge accounting include options related to convertible bonds in USD (note 16.1, 16.2 and 26).

16.4 Hedge accounting

Summarized financial data for hedging instruments are set out in the table below:

(in € millions)	Notional amount of the hedging instrument	Carrying amount of the hedging instrument in assets/(liabilities)	Cash flow hedge reserve	Amount recognized in profit or loss	Line item affected in profit or loss
DERIVATIVES QUALIFYING AS CASH FLOW HEDGES					
Forward foreign exchange contracts on bonds denominated in foreign currencies	941	22	26	(67)	Cost of net debt/ Other financial income and expense
Commodity price risk – forward purchase contracts	5	-	(1)	(4)	Operating income
Interest rate swaps	-	-	(19)	(2)	Cost of net debt
Interest component of cross currency swaps	70	4	-	-	Cost of net debt
Forward foreign exchange contracts on forecast sales	17	(1)	1	1	Operating income
Hedges of currency risk on raw materials purchases	9	-	-	-	Operating income
Current and non-current hedging instruments	**1,042**	**25**	**7**	**(72)**	

Gains and losses on cash flow hedges are included in equity, under "Other reserves" (note 25 "Reserves"). These reserves are used to recognize the effective portion of derivatives that qualify for hedge accounting (note 3.5.2 "Cash flow hedges"). The gains and losses accumulated in the reserve are subsequently reclassified as part of the initial cost of a non-financial asset or transferred to the income statement. Cash flow hedge reserves correspond mainly to advance hedging of interest rate risks on the August 2018 bond issues for €19 million and hedges of currency risk on dollar-denominated convertible bonds for €26 million. (note 26.1 "Bonds and commercial paper"). The gains and losses are transferred to the income statement when the interest on the hedged bonds affects profit or loss.

NOTE 17 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

Associates and joint ventures are listed in note 36 "List of consolidated companies" to the consolidated financial statements.

17.1 Investments in equity-accounted companies

Changes in investments in equity-accounted companies are as follows:

(in € millions)	Investments in associates	Investments in joint ventures	Total investments in equity-accounted companies
At January 1, 2019	**294**	**659**	**953**
Share of profit/(loss) from equity-accounted companies	(11)	(36)	(47)
Impairment	-	-	-
Dividends	(4)	(7)	(11)
Changes in scope of consolidation/capital increases	25	146	171
Currency translation differences	4	16	20
Other/reclassifications	(97)	98	1
At December 31, 2019	**211**	**876**	**1,087**
Share of profit/(loss) from equity-accounted companies	(14)	(59)	(73)
Impairment	(38)	-	(38)
Dividends	(6)	-	(6)
Changes in scope of consolidation/capital increases	2	28	30
Currency translation differences	(6)	(52)	(58)
Other/reclassifications	(5)	4	(1)
AT DECEMBER 31, 2020	**144**	**797**	**941**

The main equity-accounted company is TBC (note 17.2). None of the other companies represent individually material investments.

In the consolidated income statement, the line "Share of profit/(loss) from equity accounted companies" also includes the remeasurement at fair value of investments previously accounted for by the equity method and of which the Group has taken control.

The Group considered that the Covid-19 crisis was an indicator of impairment and investments in some equity-accounted companies were therefore tested for impairment. These tests led to the recognition of an impairment loss of €38 million on the Group's investment in a tire distribution company (note 2.5).

17.2 Joint venture with Sumitomo Corporation of Americas (TBC)

Summarized financial data for the TBC joint venture are set out in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Current assets	1,396	1,543
▶ *of which cash and cash equivalents*	*251*	*49*
Non-current assets	1,677	1,949
▶ *of which goodwill*	*127*	*140*
TOTAL ASSETS	**3,073**	**3,492**
Current liabilities	902	1,037
▶ *of which current financial liabilities*	*135*	*294*
Non-current liabilities	1,193	1,341
▶ *of which non-current financial liabilities*	*1,068*	*1,190*
Equity	978	1,114
TOTAL LIABILITIES AND EQUITY	**3,073**	**3,492**

(in € millions)	2020	2019
Sales	4,278	4,401
Interest income	1	1
Interest expense	(72)	(53)
Depreciation and amortization	(244)	(164)
Income tax benefit	5	14
Net loss (a)	(39)	(32)
Income statement impact of elimination of profit from downstream transactions (net of tax) *(b)*	7	6
SHARE OF NET LOSS 50% X *(A)* + *(B)*	**(13)**	**(10)**

(in € millions)	December 31, 2020	December 31, 2019
Net assets (including goodwill)	**978**	**1,114**
Share of net assets (including goodwill) = 50%	489	557
Elimination of profit from downstream transactions (net of tax)	(19)	(29)
CARRYING AMOUNT OF NET INTEREST IN THE JOINT VENTURE	**470**	**528**

17.3 Financial information about equity-accounted companies

The financial statements of equity-accounted companies other than TBC, which are not material taken individually, include the following amounts (information presented on a 100% basis):

(in € millions)	2020	2019
Assets	2,277	2,168
Liabilities	1,488	1,263
Sales	3,045	2,926
Net income/(loss)	(150)	(76)

17.4 Transactions with equity-accounted companies (related parties)

Transactions and balances between the Group and its associates and joint ventures are presented in the table below:

(in € millions)	2020	2019
INCOME STATEMENT		
Income for the sale of goods or supply of services	254	463
Expenses for the purchase of products or supply of services	(184)	(180)
STATEMENT OF FINANCIAL POSITION		
Financial liabilities	(6)	(5)
Trade payables	(7)	(6)
Financial assets	284	274
Accounts receivable	139	183

NOTE 18 TAXES

18.1 Deferred taxes

Deferred taxes in the consolidated statement of financial position are as follows:

(in € millions)	December 31, 2020	December 31, 2019
Deferred tax assets	729	814
Deferred tax liabilities	(425)	(455)
NET DEFERRED TAX ASSET	**304**	**359**

Deferred tax assets and liabilities at the end of the period, before netting, are as follows:

(in € millions)	December 31, 2020	December 31, 2019
Employee benefit obligations	604	694
Inventories	102	112
Financial instruments	55	99
Provisions	44	51
Unused tax losses	132	158
Unused tax credits	1	1
Goodwill and intangible assets	(274)	(338)
Property, plant and equipment (PP&E)	(543)	(614)
Other	183	196
NET DEFERRED TAX ASSET	**304**	**359**

Deferred tax assets have been recognized for tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized, taking into account the restrictions applicable in local tax jurisdictions. The probability that unused tax losses will be utilized is assessed according to the entity and its taxable profit projections. These projections are prepared using assumptions that are consistent with the short- and medium-term budgets prepared by Group entities. The Covid-19 crisis did not have any material impact on the projections supporting the recognition of deferred tax assets.

The change in the net deferred tax asset over the period is as follows:

(in € millions)	2020	2019
At January 1	**359**	**317**
Translation adjustments	1	(9)
Deferred tax benefit/(expense) (note 11)	(3)	42
Tax recognized in other comprehensive income	(40)	13
Changes in the scope of consolidation	(11)	(4)
Other	(2)	-
AT DECEMBER 31	**304**	**359**

In 2020, the reduction in net deferred taxes was due mainly to the change in taxes recorded in other comprehensive income in respect of post-employment benefit obligations. In addition, deferred taxes were recognized upon finalization of the purchase price allocation of Multistrada (note 4.2.1).

In 2019, excluding the impact of tax recognized in other comprehensive income and translation adjustments, the increase in net deferred taxes was mainly due to the recognition of deferred tax assets of €47 million on tax losses incurred during the year in Mexico and Germany.

The deferred income tax recognized in other comprehensive income is as follows:

(in € millions)	December 31, 2020	December 31, 2019
Post-employment benefits	312	345
Unconsolidated equity investments and other financial instruments	(26)	20
TOTAL DEFERRED TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**286**	**325**

In 2020, the change in deferred tax recognized in other comprehensive income primarily reflects decreased pension benefit obligations.

Unrecognized deferred tax assets break down as follows:

(in € millions)	December 31, 2020	December 31, 2019
Deductible temporary differences	**139**	**121**
Tax losses:		
▶ of which expiring in less than one year	8	17
▶ of which expiring in one to five years	43	80
▶ of which expiring in more than five years	26	45
▶ of which evergreen	301	336
Total tax losses	**378**	**478**
Tax credits	**5**	**5**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**522**	**604**

Unrecognized deferred tax assets in the amount of €378 million mainly concern the tax losses of certain companies in the United Kingdom and India that are not certain of generating sufficient taxable profit in the coming years and that are subject to certain restrictions concerning the use of the losses:

- In the United Kingdom, tax losses can be carried forward indefinitely but only 50% of the loss can be set off against taxable profit in excess of £5 million;
- In India, operating tax loss carryforwards expire after eight years but there is no limit on the remaining balance.

18.2 Current taxes

Current taxes in the consolidated statement of financial position are as follows:

(in € millions)	2020	2019
Taxes receivables (note 22)	317	322
Taxes payable (note 30)	(145)	(203)
Net total at January 1	**172**	**119**
Current tax expense (note 11)	(351)	(548)
Income tax paid	315	619
Changes in the scope of consolidation	-	(19)
Translation adjustments and other	2	1
Total changes	**(34)**	**53**
Taxes receivables (note 22)	324	317
Taxes payable (note 30)	(186)	(145)
NET TOTAL AT DECEMBER 31	**138**	**172**

NOTE 19 INVENTORIES

Inventories include the following:

(in € millions)	December 31, 2020	December 31, 2019
Raw materials and supplies	1,066	1,333
Work in progress	438	467
Finished goods	2,541	2,994
Total gross inventory	**4,045**	**4,794**
Impairment of raw materials and supplies	(26)	(42)
Impairment of work in progress	(1)	(1)
Impairment of finished goods	(59)	(57)
Total impairment	**(86)**	**(100)**
NET INVENTORY	**3,959**	**4,694**

Movements in inventory write-downs were as follows:

(in € millions)	2020	2019
At January 1	**(100)**	**(91)**
Translation adjustments and other	7	(1)
Change in scope of consolidation	(1)	(3)
Impairment of inventories recognized as an expense in the period	(36)	(43)
Impairment reversals	44	38
AT DECEMBER 31	**(86)**	**(100)**

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Gross trade receivables	3,126	3,629
Impairment	(108)	(97)
TRADE RECEIVABLES	**3,018**	**3,532**

All trade receivables are due within 12 months.

The following table presents an aging analysis of trade receivables at December 31, 2020:

(in € millions)	Gross	Impairment	Net
Trade receivables not yet due	**2,815**	**(16)**	**2,799**
Overdue			
▶ by less than three months	147	(1)	146
▶ between three and six months	19	(3)	16
▶ by more than six months	145	(88)	57
Overdue trade receivables	**311**	**(92)**	**219**
TRADE RECEIVABLES	**3,126**	**(108)**	**3,018**

Movements in impairment are analyzed in the table below:

(in € millions)	2020	2019
At January 1	**(97)**	**(103)**
Translation adjustments and other	5	(1)
Impairment of inventories recognized as an expense in the period	(51)	(50)
Impairment reversals	34	56
Change in scope of consolidation	1	1
AT DECEMBER 31	**(108)**	**(97)**

Impairment provisions of €18 million were reversed during the period following the write-off of the underlying receivables (2019: €26 million). The Covid-19 health crisis (note 2.5) did not modify the assumptions used to determine the expected credit losses.

NOTE 21 CURRENT FINANCIAL ASSETS

The carrying amount of current financial assets is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Loans and deposits	92	195
Cash management financial assets (note 26)	285	180
Derivative instruments (note 16.1)	52	21
CURRENT FINANCIAL ASSETS	**429**	**396**

Although cash management financial assets are highly liquid and have very limited exposure to interest rate risk, they do not strictly fulfill the criteria for classification as cash and cash equivalents (note 3.21 "Cash and cash equivalents"). Cash management financial assets are measured at amortized cost (note 3.18 "Non-derivative financial assets").

Loans and deposits include collateral exchanged with financial institutions of €22 million (2019: €103 million) that is not freely available.

NOTE 22 OTHER CURRENT ASSETS

The carrying amount of other current assets is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Prepayments to suppliers	99	153
Income tax payable	324	317
Other taxes receivable	240	265
Other	271	325
Impairment	(5)	(5)
OTHER CURRENT ASSETS	**929**	**1,055**

Other taxes receivable mainly concern VAT.

NOTE 23 CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Money-market funds	3,516	743
Bank deposits subject to up to a three-month notice period	962	494
Cash at bank and in hand	269	229
CASH AND CASH EQUIVALENTS	**4,747**	**1,466**

The average effective interest rate on cash and cash equivalents was -0.10% in 2020 (2019: 0.25%). Cash and cash equivalents are mainly held in euros (2020: 93%, 2019: 83%).

Restricted deposits consist mainly of cash and cash equivalents subject to prudential rules in Ireland specific to captive insurance companies (2020: €50 million, 2019: €82 million).

NOTE 24 SHARE CAPITAL AND SHARE PREMIUMS

Changes in share capital and share premiums are analyzed in the table below:

(in € millions)	Share capital	Share premiums	Total
At January 1, 2019	**360**	**2,923**	**3,283**
Issuance of shares upon exercise of stock options and performance share rights	-	4	4
Cancellation of shares	(3)	(138)	(141)
Other	-	-	-
At December 31, 2019	**357**	**2,789**	**3,146**
Issuance of shares upon employee share plan and performance share rights	1	54	55
Cancellation of shares	(2)	(97)	(99)
Other	1	-	1
AT DECEMBER 31, 2020	**357**	**2,746**	**3,103**

Changes in outstanding shares are analyzed in the table below:

(number of shares)	Shares issued	Treasury shares	Shares outstanding
At January 1, 2019	**179,847,632**	**-**	**179,847,632**
Issuance of shares upon exercise of stock options and performance share rights	125,744	-	125,744
Share buybacks	-	(1,354,049)	(1,354,049)
Sales of treasury shares	-	8,228	8,228
Cancellation of shares	(1,345,821)	1,345,821	-
Other	-	-	-
At December 31, 2019	**178,627,555**	**-**	**178,627,555**
Issuance of shares upon exercise of stock options and performance share rights	810,071	-	810,071
Share buybacks	-	(1,097,540)	(1,097,540)
Sales of treasury shares	-	-	-
Cancellation of shares	(1,097,540)	1,097,540	-
Other	-	-	-
AT DECEMBER 31, 2020	**178,340,086**	**-**	**178,340,086**

The shares have a par value of €2 (unchanged from 2019). All outstanding shares are fully paid and registered. Shares held for more than four years have a double voting right.

The 2019 dividend paid to shareholders in 2020 was €2.00 per share (2018 dividend paid in 2019: €3.70 per share). The dividend was paid in full in cash for a net amount of €357 million (2019: €665 million).

The Managing Chairman will propose that shareholders approve the payment of a 2020 dividend in 2021 of €2.30 per share.

NOTE 25 RESERVES

(in € millions)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2019	**(512)**	**-**	**51**	**9,336**	**8,875**
Dividends and other appropriations	-	-	-	(675)	(675)
Share-based payments – current service cost (notes 7 and 8)	-	-	-	7	7
Share buybacks	-	(141)	-	-	(141)
Sale/cancellation of shares	-	141	-	-	141
Other	-	-	-	(41)	(41)
Transactions with the shareholders of the Company	-	-	-	**(709)**	**(709)**
Net income attributable to the shareholders of the Company	-	-	-	1,751	1,751
Post-employment benefits	-	-	-	*(131)*	*(131)*
Tax effect – Post-employment benefits	-	-	-	*16*	*16*
Equity instruments at fair value through OCI – changes in fair value	-	-	*20*	-	*20*
Tax effect – equity instruments at fair value through OCI	-	-	*6*	-	*6*
Other comprehensive income/(loss) that will not be reclassified to the income statement	-	-	26	(115)	(89)
Cash flow hedges – changes in fair value	-	-	*46*	-	*46*
Currency translation differences	*204*	-	*(3)*	-	*201*
Other	*21*	-	*(42)*	*26*	*5*
Other comprehensive income that may be reclassified to the income statement	225	-	1	26	252
Comprehensive income	**225**	**-**	**27**	**1,662**	**1,914**
At December 31, 2019	**(287)**	**-**	**78**	**10,289**	**10,080**
Dividends and other appropriations	-	-	-	(368)	(368)
Share-based payments – current service cost (notes 7 and 8)	-	-	-	14	14
Share buybacks	-	(99)	-	-	(99)
Sale/cancellation of shares	-	99	-	-	99
Other	-	-	-	2	2
Transactions with the shareholders of the Company	**-**	**-**	**-**	**(352)**	**(352)**
Net income attributable to the shareholders of the Company	-	-	-	632	632
Post-employment benefits	-	-	-	*145*	*145*
Tax effect – Post-employment benefits	-	-	-	*(33)*	*(33)*
Equity instruments at fair value through OCI – changes in fair value	-	-	*28*	-	*28*
Tax effect – equity instruments at fair value through OCI	-	-	*(7)*	-	*(7)*
Other	-	-	*(3)*	*3*	-
Other comprehensive income that will not be reclassified to the income statement	-	-	18	115	133
Cash flow hedges – changes in fair value	-	-	*16*	-	*16*
Currency translation differences	*(977)*	-	-	-	*(977)*
Other	*(1)*	-	*2*	*(3)*	*(2)*
Other comprehensive income/(loss) that may be reclassified to the income statement	(978)	-	18	(3)	(963)
Comprehensive income/(loss)	**(978)**	**-**	**36**	**744**	**(198)**
AT DECEMBER 31, 2020	**(1,265)**	**-**	**114**	**10,681**	**9,530**

Under the share buyback program authorized at the May 17, 2019 Annual Shareholders Meeting, an agreement was signed on January 7, 2020 with an investment service provider, under which the Group undertook to buy back a certain number of shares before November 19, 2020 for a maximum amount of €100 million.

A total of 1,097,540 shares were bought back under the program at an average price per share of €89.83, representing a total investment of €99 million. All of these shares were canceled during the year.

Under the share buyback program authorized at the May 19, 2018 Annual Shareholders Meeting, two agreements were signed in February 2019 and August 2019 with an investment services provider, under which the Group undertook to buy back a variable number of shares for a maximum total amount of €140 million. Under the first agreement, capped at €70 million, the Group bought back 665,642 shares at an average price per share of €105.16. Under the second agreement, also capped at €70 million, the Group bought back 680,044 shares at an average price per share of €102.93. All of these shares were canceled in 2019.

NOTE 26 FINANCIAL LIABILITIES

The carrying amount of financial liabilities is presented in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Bonds	5,867	4,535
Loans from financial institutions and other	235	318
Derivative instruments	67	173
Non-current financial liabilities	**6,169**	**5,026**
Non-current lease liabilities	**801**	**897**
Bonds and commercial paper	1,017	295
Loans from financial institutions and other	479	616
Derivative instruments	50	21
Current financial liabilities	**1,546**	**932**
Current lease liabilities	**222**	**226**
FINANCIAL LIABILITIES	**8,738**	**7,081**

Group net debt is analyzed in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Financial liabilities	8,738	7,081
Derivatives recognized as assets (note 16.1)	(153)	(148)
Borrowing collaterals (note 32.3.2)	(22)	(103)
Cash management financial assets (note 21)	(285)	(180)
Cash and cash equivalents (note 23)	(4,747)	(1,466)
NET DEBT	**3,531**	**5,184**

The fair value of non-current financial liabilities, calculated in accordance with note 3.6 "Fair value of financial instruments", is presented in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Bonds	6,649	4,965
Loans from financial institutions and other	235	318
Lease liabilities	801	897
Derivative instruments	67	173
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	**7,752**	**6,353**

Changes in financial liabilities and derivatives are detailed by flow in the table below:

		Cash flows from financial liabilities	Non-cash movements		
(in € millions)	At January 1, 2020		Conversions	Other	At December 31, 2020
Bonds, loans from financial institutions and other	4,853	1,364	(29)	(86)	6,102
Lease liabilities	897	-	(44)	(52)	801
Derivative instruments	173	(86)	(3)	(17)	67
Non-current financial liabilities	**5,923**	**1,278**	**(76)**	**(155)**	**6,970**
Bonds, loans from financial institutions and other	911	731	(222)	76	1,496
Lease liabilities	226	(244)	(10)	250	222
Derivative instruments	21	29	(1)	1	50
Current financial liabilities	**1,158**	**516**	**(233)**	**327**	**1,768**
TOTAL FINANCIAL LIABILITIES	**7,081**	**1,794**	**(309)**	**172**	**8,738**
Derivatives recognized as assets	(148)	(10)	6	(1)	(153)
Net impact on the consolidated statement of cash flows		**1,784**			

26.1 Bonds and commercial paper

The table below provides detailed information about the bonds and commercial paper issued by the Group:

	December 31, 2020		December 31, 2019	
(in € millions)	Current	Non-current	Current	Non-current
Bonds repayable by Compagnie Générale des Établissements Michelin (2019: Michelin Luxembourg SCS, note 26.1.1) ▶ nominal amount of €302 million ▶ issued in September 2015 and September 2016 and due in September 2045 ▶ nominal interest rate of 3.25% ▶ effective interest rate of 3.02%	-	314	-	315
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €500 million ▶ issued in October 2020 and due in November 2040 ▶ nominal interest rate of 0.625% ▶ effective interest rate of 0.68%	-	495	-	-
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €750 million ▶ issued in August 2018 and due in September 2038 ▶ nominal interest rate of 2.50% ▶ effective interest rate of 2.56%	-	743	-	743
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €500 million ▶ issued in October 2020 and due in November 2032 ▶ nominal interest rate of 0.25% ▶ effective interest rate of 0.32%	-	496	-	-
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €1,000 million ▶ issued in August 2018 and due in September 2030 ▶ nominal interest rate of 1.75% ▶ effective interest rate of 1.84% (2.00% after hedging)	-	992	-	991
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €500 million ▶ issued in October 2020 and due in November 2028 ▶ nominal interest rate of 0.00% ▶ effective interest rate of 0.06%	-	498	-	-
Bonds repayable by Compagnie Générale des Établissements Michelin (2019: Michelin Luxembourg SCS, note 26.1.1) ▶ nominal amount of €300 million ▶ issued in May 2015 and due in May 2027 ▶ nominal interest rate of 1.75% ▶ effective interest rate of 1.86% (1.80% after hedging)	-	298	-	298
Bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of €750 million ▶ issued in August 2018 and due in September 2025 ▶ nominal interest rate of 0.875% ▶ effective interest rate of 1.04% (1.17% after hedging)	-	744	-	743
Debt component of convertible bonds repayable by Compagnie Générale des Établissements Michelin ▶ nominal amount of USD 600 million ▶ issued in January 2018 and due in November 2023 ▶ nominal interest rate of 0% ▶ effective interest rate of 2.50% (0.16% after hedging) ▶ conversion price at December 31, 2020 of €168.54	-	455	-	487

(in € millions)	December 31, 2020 Current	December 31, 2020 Non-current	December 31, 2019 Current	December 31, 2019 Non-current
Private placement loan notes issued by Fenner Group Holdings Limited				
▶ nominal amount of USD 160 million				
▶ issued in 2011 and due in 2021 (USD 95 million) and 2023 (USD 65 million)				
▶ nominal and effective interest rate of 5.144% (2021) and 5.420% (2023)	77	53	-	143
Bonds repayable by Compagnie Générale des Établissements Michelin (2019: Michelin Luxembourg SCS, note 26.1.1)				
▶ nominal amount of €300 million				
▶ issued in May 2015 and due in May 2022				
▶ nominal interest rate of 1.125%				
▶ effective interest rate of 1.17%	-	300	-	300
Debt component of convertible bonds repayable by Compagnie Générale des Établissements Michelin				
▶ nominal amount of USD 600 million				
▶ issued in January 2017 (USD 500 million) and April 2017 (USD 100 million) and due in January 2022				
▶ nominal interest rate of 0%				
▶ effective interest rate of 1.98% (-0.38% after hedging)				
▶ conversion price at December 31, 2020 of €132.77	-	479	-	515
Commercial paper repayable by Compagnie Générale des Établissements Michelin				-
▶ in USD, euro-equivalent nominal amount: €42 million (2019: zero)				
▶ effective interest rate of 0.325% at December 31, 2020				
▶ in €, nominal amount: €898 million (2019: €250 million)				
▶ effective interest rate of -0.14% at December 31, 2020	940	-	250	
Commercial paper repayable by Michelin Luxembourg SCS				-
▶ nominal amount of USD 0 million (2019: USD 50 million)	-	-	45	-
TOTAL	**1,017**	**5,867**	**295**	**4,535**

At December 31, 2020, the weighted average nominal interest rate for bonds and commercial paper is 1.33% (1.06% after hedging).

26.1.1 Bondholder consent

In October 2020, the holders of all the bonds issued by Michelin Luxembourg SCS consented to their transfer to Compagnie Générale des Établissements Michelin. This transaction had no impact for the Group, except as concerns the transfer costs of €1 million.

26.1.2 Bond issues in 2020

In October 2020, the Group issued through Compagnie Générale des Établissements Michelin three tranches of bonds maturing in 8 years, 12 years and 20 years respectively, for a total of €1.5 billion.

26.1.3 Bond redemptions in 2019

The June 2012 bonds issued by Michelin Luxembourg SCS were redeemed at maturity at par in June 2019. The interest rate instruments hedging these bonds also matured in June 2019.

26.2 Loans from financial institutions and other

Loans from financial institutions and other consist mainly of drawdowns on the Group's credit lines.

At December 31, 2020, loans from financial institutions totaled €713 million (2019: €934 million). Most of the loans were denominated in USD, THB and euros and most were at variable interest rates.

The contractual re-pricing of the interest rates of these loans is generally less than six months.

NOTE 27 PROVISIONS FOR EMPLOYEE BENEFIT OBLIGATIONS

In accordance with the laws and regulations applicable in each country, as well as in application of its social responsibility policy, the Group takes part mainly in pension, healthcare, death and disability and end-of-service benefit plans, for which the amount of benefits paid varies based on a number of factors including the employee's years of service, salary, accumulated funds with an independent manager or contributions paid to insurers.

Such plans can be either defined benefit plans or defined contribution plans. In the case of defined benefit plans, Group commitments are measured using the projected credit unit method. These commitments are calculated with the help of independent actuaries. In the case of defined contribution plans, liabilities correspond to the contributions due.

Since 2003 the Group has been closing its defined benefit plans to new entrants and, in some cases, to future accruals, in order to reduce the risk on the Group's consolidated statement of financial position. New defined contribution plans have correspondingly been put in place or existing ones improved.

Since 2005 the Group has a governance body, the Global Employee Benefit Board, that monitors benefits. Its role is to define Group policies on employee benefits and ensure that local benefit programs comply with them (approval of amendments, introduction of new benefits, etc.). At the same time, it monitors asset returns and benchmarks, as well as the de-risking policies put in place by local boards or committees, and proposes an audit plan. The Committee is assisted by two teams, the Global Benefits Policy Team composed of members from the accounting, finance and human resources departments and the Global Benefits Investment Team composed of the chairs of the investment committees or Chief Investment Officers of the main funded pension plans and Group experts. In countries with substantial benefit obligations similar organization exists.

27.1 Defined benefit plans

The Group's defined benefit plans are retirement plans and retiree healthcare plans, the vast majority of which are now closed to new entrants, and in some cases to future accruals, as well as some minor plans such as long-service awards or end-of-service benefits.

In Europe, the discount rates are determined with the assistance of the Group's actuary, based on the yield of investment-grade corporate bonds. The rates are applied for the duration of the corresponding liabilities. The discount rate in the United States is based on the local actuary's AA Only Bond yield curve rates. The discount rate in Canada is based on the Canadian Institute of Actuaries' Canadian Corporate AA Bond yield curve rates. For countries that have several plans (but only one material plan), the discount rate calculated for the main plan is used for all plans. For countries with several plans of comparable size but quite different durations, several rates are used.

The inflation assumptions are set using different methods. For the Eurozone, the Group's actuarial model is used with reference to different sources of information, such as the target inflation rates set by central banks, the forecasts from Consensus Economics and inflation swap curves. In the United Kingdom, the market-implied inflation rate is also considered (corresponding to the differential between gilts and index-linked gilts, less a spread). In the United States and Canada, the cost-of-living increases for some pensions are set using historical averages, central bank targets and implied inflation (corresponding to the differential between indexed and non-indexed bonds).

The salary increase assumptions can be either spreads above inflation (either RPI or CPI) or absolute values. These assumptions take into account expected long-term yearly average salary increases as well as the effects of promotions. In some cases, assumptions by category of personnel can be used.

The post-employment mortality tables used for the pension plans that are funded through insured contracts are the insurers' tables. For the other main post-employment plans, the following tables are used: (i) United States: *Pri-2012* Blue Collar table using Scale *MP-2019* (Michelincustom Table for retirees); (ii) Canada: 105% of *CPM 2014 Private – MI-2017*; (iii) United Kingdom: Generational *S3PA CMI 2019* with a 1.5% floor and a weighting of 113% for men and 99% for women, and (iv) Germany: *Heubeck RT 2019 G.*

	December 31, 2020				December 31, 2019			
	United States	Canada	United Kingdom	Germany	United States	Canada	United Kingdom	Germany
Life expectancy for males at 65 at the end of the reporting period	18.4	21.6	21.0	20.2	19.0	21.6	21.1	20.2
Life expectancy for males at 65 (15 years after the end of the reporting period)	19.3	22.8	21.6	22.3	19.9	22.8	22.4	22.3
Life expectancy for females at 65 at the end of the reporting period	20.3	24.1	23.8	23.7	20.9	24.1	23.9	23.7
Life expectancy for females at 65 (15 years after the end of the reporting period)	21.3	25.2	24.9	25.4	21.9	25.2	25.2	25.4

The financial position of the main defined benefit plans is summarized below:

(in € millions)	Pension plans	Other plans	December 31, 2020	December 31, 2019
Present value of fully or partly funded obligations	7,795	-	7,795	8,074
Fair value of plan assets	(7,373)	-	(7,373)	(7,341)
Funded status deficit/(surplus)	**422**	**-**	**422**	**733**
Present value of unfunded obligations	1,151	1,863	3,014	3,040
Unrecognized assets due to the effect of the asset ceiling	53	-	53	55
NET DEFINED BENEFIT OBLIGATION	**1,626**	**1,863**	**3,489**	**3,828**
Amounts recognized in the statement of financial position:				
▶ As assets under non-current financial assets and other non-current assets (note 15)			(211)	(45)
▶ As liabilities under employee benefit obligations	-	-	3,700	3,873
NET LIABILITY	**1,626**	**1,863**	**3,489**	**3,828**

At December 31, 2020, the projected defined benefit obligation comprised €3,905 million for active members (current employees), €1,358 million for members who have deferred their vested benefits and €5,546 million for retired members (2019: respectively €4,113 million, €1,305 million and €5,696 million).

At December 31, 2020, the projected defined benefit obligation comprised €8,653 million for vested benefits and €2,156 million for unvested benefits (2019: respectively €8,939 million and €2,175 million).

Actuarial gains and losses on post-employment defined benefit plans are recognized in other comprehensive income when they occur.

The Group does not recognize as an asset any surplus in excess of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. If a defined benefit plan is subject to a minimum funding requirement (MFR), the Group immediately recognizes a liability for any surplus resulting from the contributions paid under the MFR which would not be fully recoverable through economic benefits available to the Group.

Any reduction in assets or increase in liabilities resulting from the effect of the asset ceiling is recognized in other comprehensive income.

The movements in net defined benefit obligations recognized in the consolidated statement of financial position are shown below:

(in € millions)	Pension plans	Other plans	2020	2019
At January 1	**1,931**	**1,897**	**3,828**	**3,858**
Contributions paid to the fund managers	(142)	-	(142)	(192)
Benefits paid directly to the beneficiaries	(35)	(111)	(146)	(139)
Other movements	-	-	-	8
ITEMS RECOGNIZED IN OPERATING INCOME				
Current service cost	40	75	115	111
Actuarial (gains) or losses recognized on other long-term benefit plans	-	1	1	5
Past service cost resulting from plan amendments	-	(2)	(2)	(68)
Effect of plan curtailments or settlements	9	-	9	(10)
Effect of plan curtailments recognized within reorganizations and adaptation of activities	1	4	5	(30)
Other items	6	-	6	13
ITEMS RECOGNIZED OUTSIDE OPERATING INCOME				
Net interest on employee benefit obligations	22	32	54	97
ITEMS RECOGNIZED IN OTHER COMPREHENSIVE INCOME				
Translation adjustments	(20)	(74)	(94)	44
Actuarial (gains) or losses	(186)	41	(145)	174
Unrecognized assets due to the effect of the asset ceiling	-	-	-	(43)
AT DECEMBER 31	**1,626**	**1,863**	**3,489**	**3,828**

The amount of actuarial gains or losses presented in the statement of comprehensive income and recognized in equity is detailed in the table below:

(in € millions)	Pension plans	Other plans	2020	2019
At January 1	**1,771**	**572**	**2,343**	**2,212**
Actuarial (gains) or losses recognized during the year due to changes in demographic assumptions:				
▶ Due to change in assumptions	(69)	(13)	(82)	(92)
▶ Due to experience adjustments	26	(8)	18	1
Actuarial (gains) or losses recognized during the year due to changes in financial assumptions:				
▶ Due to change in assumptions	560	73	633	1,036
▶ Due to experience adjustments	(703)	(11)	(714)	(771)
Unrecognized assets due to the effect of the asset ceiling	-	-	-	(43)
Change in scope of consolidation	-	-	-	-
AT DECEMBER 31	**1,585**	**613**	**2,198**	**2,343**
Of which actuarial gains or (losses)	*1,532*	*613*	*2,145*	*2,288*
Of which asset ceiling effect	*53*	*-*	*53*	*55*

In 2020, the net amount recognized in the consolidated income statement was an expense of €188 million (2019: expense of €118 million), broken down as follows:

(in € millions)	Pension plans	Other plans	2020	2019
Current service cost	40	75	115	111
Net interest on net defined benefit obligation (asset)	22	32	54	97
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	1	1	5
Past service cost recognized during the year:				
▶ Due to the introduction of or amendments to defined benefit plans	-	(2)	(2)	(68)
▶ Due to curtailments of defined benefit plans	-	-	-	-
Effect of defined benefit plan settlements	9	-	9	(10)
Other items	6	-	6	13
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	1	4	5	(30)
TOTAL RECOGNIZED IN THE INCOME STATEMENT	**78**	**110**	**188**	**118**

Annual costs are determined with the assistance of independent actuaries at the beginning of each financial year based on the following factors:

- cost corresponding to acquisition of an additional year of rights ("Current service cost");
- income/expense corresponding to the discounting adjustment made to reflect the impact of the passage of time ("Net interest");
- income/expense from annual recognition of actuarial gains or losses on other long-term defined benefit plans ("Actuarial (gains) or losses recognized during the year");
- gain/loss resulting from plan amendments or the introduction of benefit plans ("Past service cost recognized during the year");
- gain/loss resulting from curtailments of any benefit plans ("Past service cost recognized during the year");
- gain/loss resulting from the settlement of any benefit plans.

27.1.1 Pension plans

The Group offers its employees in some countries different pension plans that vary according to local laws and regulations and the collective bargaining agreements applicable in each subsidiary.

Under defined benefit plans, the future level of benefits is defined by the plan regulations. The valuation of such defined benefit plans is carried out with the assistance of independent actuaries using actuarial techniques. Defined benefit pension plans may be funded through payments to external funds or to insurers. In the case of unfunded plans, such as the German pension plans, a provision is recognized in the consolidated statement of financial position.

The Group's main pension plans are as follows:

United States

The defined benefit plan in the United States is the Michelin Retirement Plan (MRP). The provisions applicable to the main population are described below.

The plan was closed to new entrants as of January 1, 2004. Accruals were frozen under the plan as of December 31, 2016. These participants have been enrolled in a defined benefit contribution plan.

The plan sets the normal retirement age at 65. However, employees who have reached age 55 and have completed at least ten years of service are eligible for early retirement benefits under the applicable provisions.

In the event of early retirement, the amount of the pension is reduced but a supplemental benefit may be granted to employees who have reached the age of 55 and completed 30 years of service, to bridge the gap between early retirement and social security eligibility.

The plan provides for a guaranteed monthly annuity based on a set formula (with a lower accrual rate on the amount corresponding to the social security wage base) that takes into consideration the years of plan membership and average pensionable earnings. Only employees who have voluntarily joined the defined contribution plan (in 2004 or 2007) may receive a lump sum payment.

The plan includes provisions for death-in-service benefits as well as a spouse reversionary pension and orphan's pension upon the death of the retiree. The plan also provides for disability benefits.

The plan includes a cost-of-living adjustment clause applicable to the pensions of employees hired before January 1, 1991.

The plan is fully funded by employer contributions.

Canada

There is one major defined benefit plan in Canada, the Pension Plan for the Employees of Michelin North America (Canada) Inc. and Participating Employers (MR Plan). Other minor defined benefit plans, which are closed to new entrants, are valued but not detailed further.

The MR Plan was closed to new entrants as from January 1, 2005. Since this date, new entrants have been enrolled in a defined contribution plan. Accruals for most of the participants were frozen under the plan as of December 31, 2015. All employees are enrolled in a defined benefit contribution plan.

The plan sets the normal retirement age at 65. However, employees who have reached the age 55 or completed 30 years of service are eligible for early retirement benefits under the applicable provisions.

In the event of early retirement, the amount of the pension is reduced but a supplemental benefit is granted to employees who have completed 30 years of service, to partially bridge the gap between early retirement and social security eligibility.

The plan provides for a guaranteed monthly annuity at retirement based on a set formula that takes into consideration the years of plan membership and total pensionable earnings.

The plan includes provisions for death-in-service benefits as well as a spouse reversionary pension or a beneficiary pension upon the death of the retiree. The plan also provides for disability benefits.

The plan includes an indexation clause applicable to the benefits, based on the increase in the Consumer Price Index less a deduction.

The plan is currently fully funded by employer contributions.

United Kingdom

The defined benefit retirement plan in the UK is the Michelin Pension and Life Assurance Plan.

This plan was closed to new entrants as from March 31, 2005. It was closed to all future accruals as of January 1, 2009 and has been replaced by a defined contribution plan.

Accruals up to December 31, 2008 are frozen but pensions are still linked to the average final salary at retirement.

The plan sets the normal retirement age at 65. However, employees who have reached the age of 55 are eligible for early retirement under the applicable provisions, with the Group's consent. In the case of early retirement, the accrued benefit is reduced by an actuarial reduction factor.

The amount of the annual pension is based on the employee's pensionable earnings. Most employees opt to receive the maximum amount allowed by tax legislation in the form of a lump sum.

The plan also provides death-in-service benefits, a spouse reversionary pension and disability benefits.

The amount of the pension benefit is indexed to a capped inflation rate for members who did not choose the pension increase exchange option.

The plan is fully funded by employer contributions.

Germany

The main defined benefit retirement plan in Germany is the “Versorgungsordnung 1979” (VO 1979).

The plan was closed to new entrants as from January 1, 2000. Since this date, new entrants have been enrolled in defined contribution plans.

The plans set the normal retirement age at 65.

They provide for a lifetime monthly annuity which is based on the employee's pensionable earnings.

A flat rate applies to the amount of earnings exceeding the social security ceiling and an additional rate, calculated based on years of service, is applied to the total pensionable earnings.

The plan includes provisions for death-in-service benefits, a spouse reversionary pension, an orphan's pension and disability benefits.

There is a legal obligation to adjust the pension annuity every three years for inflation up to the average increase in the employees' salaries.

France

There is one major pension defined benefit plan in France, “Régime de retraite supplémentaire MFPM”.

In order to be eligible, employees must have completed ten years of service and still be on the payroll at the retirement date.

This plan was set up in 1996 in order to provide additional retirement income to all employees in the event that their pension under the mandatory government-sponsored plans represents less than a certain replacement rate (top hat plan). The additional benefit is calculated based on years of service and pensionable earnings.

It is capped so that the sum of the pension paid under the mandatory government-sponsored plans and the additional benefit from this plan does not exceed the specified replacement rate. As the plan cannot be closed to new members, the historical replacement rate of 55% is gradually being reduced to 0% over the period from January 1, 2013 until 2046. In return, employees participate in a mandatory defined contribution plan (“Article 83” plan) and can also participate in a voluntary defined contribution plan (PERCO pension savings plan).

In accordance with government order 201-697 dated July 3, 2019, this plan was closed to new members on July 3, 2019 and the vesting period was frozen at December 31, 2019.

The plan provides for the payment of a pension to the surviving spouse and a disability pension. It is funded by contributions to two insurance companies.

Pension benefits may be adjusted or increased if the plan has a surplus but this is not automatic.

The following table analyzes changes in the financial position of the Group's defined benefit pension plans:

(in € millions)	2020				2019			
	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	4,205	4,950	62	9,217	3,764	4,493	47	8,304
Translation adjustments	(356)	(177)	(16)	(549)	131	164	1	296
Change in scope of consolidation	-	-	-	-	-	9	-	9
Current service cost	3	36	1	40	4	39	1	44
Interest cost on the defined benefit obligation	125	70	3	198	156	99	3	258
Administrative costs	2	4	-	6	7	6	-	13
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or amendments to defined benefit plans	-	-	-	-	-	(68)	-	(68)
▶ Past service cost due to curtailments of defined benefit plans	-	1	-	1	-	(12)	-	(12)
▶ (Gains) or losses on settlement of defined benefit plans	-	9	-	9	-	(10)	-	(10)
Benefits paid during the year	(262)	(230)	(3)	(495)	(260)	(180)	(3)	(443)
Other items	-	21	1	22	-	35	1	36
Actuarial (gains) or losses generated during the year	250	248	(1)	497	403	375	12	790
Present value of the obligations at the end of the year	**3,967**	**4,932**	**47**	**8,946**	**4,205**	**4,950**	**62**	**9,217**
Fair value of plan assets at the beginning of the year	3,898	3,394	49	7,341	3,484	2,772	38	6,294
Translation adjustments	(334)	(185)	(14)	(533)	128	161	(1)	288
Change in scope of consolidation	-	-	-	-	-	-	-	-
Interest income on plan assets	116	58	2	176	143	66	4	213
Contributions paid to the funds	-	142	-	142	-	192	-	192
Benefits paid by the plans during the year	(262)	(196)	(2)	(460)	(259)	(148)	(2)	(409)
Other items	-	21	1	22	-	35	1	36
Actual return on plan assets excluding interest income	355	327	3	685	402	316	9	727
Fair value of plan assets at the end of the year	**3,773**	**3,561**	**39**	**7,373**	**3,898**	**3,394**	**49**	**7,341**
Deficit/(surplus) at the end of the year	**194**	**1,371**	**8**	**1,573**	**307**	**1,556**	**13**	**1,876**
Deferred items at the beginning of the year	(55)	-	-	(55)	(86)	-	(2)	(88)
Translation adjustments	3	-	1	4	(6)	-	-	(6)
Unrecognized asset due to the application of the asset ceiling	2	-	(4)	(2)	37	-	2	39
Deferred items at the end of the year	**(50)**	**-**	**(3)**	**(53)**	**(55)**	**-**	**-**	**(55)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**244**	**1,371**	**11**	**1,626**	**362**	**1,556**	**13**	**1,931**

For Canadian pension plans, the Group does not have any rights to a refund of the plan surplus. The available economic benefits are measured as the present value of the future service cost. These pension plans are subject to a minimum funding requirement. The surplus recognized as an asset is the sum of:

- any prepaid amount that would reduce the future minimum funding requirement; and
- the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service.

Any amount exceeding this limit is immediately recognized within other comprehensive income.

In 2020, the asset ceiling was not applicable (2019: recognition of an amount of €43 million).

In 2020, the projected defined benefit pension obligation decreased by €271 million due to:

(in € millions)	2020	2019
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	549	(296)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(497)	(790)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	251	128
Changes in plan rules	(10)	90
Changes in the scope of consolidation	-	(9)
Other items	(22)	(36)

The fair value of plan assets amounted to €7,373 million at December 31, 2020, representing an increase of €32 million compared to December 31, 2019 due to:

(in € millions)	2020	2019
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	(533)	288
Difference between the contributions paid to the funds and the benefits paid by the funds	(318)	(217)
Actual return on plan assets	861	940
Changes in the scope of consolidation	-	-
Other items	22	36

The present value of the defined benefit obligation, the fair value of the plan assets, the surplus or deficit in the plan and the experience adjustments are as follows for 2020 and the previous four periods:

(in € millions)	2020	2019	2018	2017	2016
Defined benefit obligation	(8,946)	(9,217)	(8,304)	(8,443)	(9,216)
Plan assets	7,373	7,341	6,294	6,367	6,520
SURPLUS/(DEFICIT)	**(1,573)**	**(1,876)**	**(2,010)**	**(2,076)**	**(2,696)**
Experience adjustments to:					
▶ plan liabilities	(7)	(5)	15	32	38
▶ plan assets	685	727	(284)	415	315

The experience adjustments expressed as a percentage of the present value of the obligation and the fair value of plan assets are presented in the table below:

Experience adjustments to:	2020	2019	2018	2017	2016
▶ the plan liabilities as a percentage of the present value of the obligation (DBO)	0.08%	0.05%	-0.18%	-0.38%	-0.41%
▶ the plan assets as a percentage of the fair value of the assets	9.29%	9.90%	-4.51%	6.52%	4.83%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	December 31, 2020			December 31, 2019		
	North America	Europe	Other	North America	Europe	Other
Discount rate	2.47%	1.08%	6.85%	3.15%	1.46%	7.10%
Inflation rate	2.00%	2.39%	3.25%	2.36%	2.43%	3.80%
Rate of salary increases	2.41%	2.77%	3.69%	2.75%	2.90%	4.64%
Weighted average duration of the defined benefit obligation	12.0	15.6	13.9	12.2	15.6	11.2

The discount rates, salary increase rates and inflation rates are the main financial assumptions used in the measurement of the defined benefit obligation (DBO) and changes in these rates may have a significant effect on the amounts reported.

For each plan, all the actuaries calculate the sensitivities of the DBO and current service cost to changes in the main assumptions. In the case of a change in one of these assumptions, DBO and current service cost sensitivities are expressed as weighted average changes in these items.

Regarding the sensitivity of the fair market value of plan assets due to interest rate movements, it is considered that the entire yield curve moves up or down by 0.5 point and that only the values of the bonds are impacted, with the values of all other assets remaining unchanged. The level of sensitivity indicated corresponds to the change in the total value of the portfolio due to the change in interest rates.

A 0.5-point change in these rates compared with those used for 2020, all else being equal, would have the following effect:

	0.5-point increase	0.5-point decrease
Discount rate on the defined benefit obligation (DBO)	-6.65%	7.44%
Discount rate on the aggregate of current service cost and interest cost on the obligation	15.15%	-17.84%
Inflation rate on the defined benefit obligation (DBO)	3.92%	-3.65%
Inflation rate on the aggregate of current service cost and interest cost on the obligation	3.88%	-3.68%
Salary increase rate on the defined benefit obligation (DBO)	0.81%	-0.72%
Salary increase rate on the aggregate of current service cost and interest cost on the obligation	1.56%	-1.48%
Interest rates on the fair market value of plan assets	-5.94%	6.57%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

	2020				2019			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Current service cost	3	36	1	40	5	38	1	44
Interest cost on the defined benefit obligation	125	70	3	198	155	100	3	258
Interest income on plan assets	(114)	(59)	(3)	(176)	(141)	(66)	(3)	(210)
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	-	-	-	-	-	-	-
Past service cost recognized during the year:								
▶ Due to the introduction of or amendments to defined benefit plans	-	-	-	-	-	(68)	-	(68)
▶ Due to curtailments of defined benefit plans	-		-	-	-	-	-	-
Effect of defined benefit plan settlements	-	9	-	9	-	(10)	-	(10)
Other items	2	4	-	6	7	6	-	13
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	-	1	-	1	-	(12)	-	(12)
TOTAL DEFINED PENSION BENEFIT COST	**16**	**61**	**1**	**78**	**26**	**(12)**	**1**	**15**
Actual return on plan assets	**471**	**385**	**5**	**861**	**545**	**382**	**13**	**940**

The asset allocation of fully and partly funded pension plans is as follows:

	December 31, 2020					December 31, 2019				
	Canada	United States	United Kingdom	Other	Total	Canada	United States	United Kingdom	Other	Total
LISTED SECURITIES										
Local equities	1.9%	8.5%	0.0%	0.0%	3.3%	2.0%	7.8%	0.0%	0.0%	3.2%
Foreign and global equities	7.2%	7.5%	1.2%	0.0%	4.3%	5.7%	6.4%	4.3%	0.0%	5.0%
Alternative investments	0.0%	9.2%	0.8%	0.0%	3.6%	0.7%	9.1%	3.5%	0.0%	5.0%
Real estate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Index-linked bonds	0.1%	0.0%	20.6%	7.2%	9.3%	0.1%	0.2%	17.9%	9.4%	8.0%
Fixed income government and agencies	26.3%	16.6%	13.2%	0.0%	15.7%	30.3%	20.3%	17.5%	0.0%	19.6%
Corporate bonds	15.6%	31.1%	19.1%	0.0%	21.7%	13.0%	27.7%	14.3%	0.0%	18.3%
Other fixed income securities, multi-asset credit and emerging market bonds	39.8%	16.6%	23.9%	0.0%	22.4%	39.8%	16.8%	25.9%	0.0%	23.3%
Cash and cash equivalents	3.9%	1.3%	6.5%	2.0%	4.0%	4.2%	2.5%	4.2%	2.5%	3.5%
Total listed securities	**94.8%**	**90.9%**	**85.3%**	**9.2%**	**84.4%**	**95.8%**	**90.7%**	**87.6%**	**11.9%**	**85.8%**
UNLISTED SECURITIES										
Funds managed by insurance companies	0.0%	0.0%	0.0%	90.8%	5.2%	0.0%	0.0%	0.0%	88.1%	5.0%
Private placements(1)	3.2%	0.8%	10.5%	0.0%	5.3%	1.8%	1.0%	7.7%	0.0%	3.8%
Real estate	2.1%	8.3%	4.3%	0.0%	5.1%	2.4%	8.3%	4.7%	0.0%	5.4%
Total unlisted securities	**5.2%**	**9.1%**	**14.7%**	**90.8%**	**15.6%**	**4.2%**	**9.3%**	**12.4%**	**88.1%**	**14.2%**
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Duration in years of the bond portfolio, excluding cash and cash equivalents and funds managed by insurance companies	**14.8**	**14.5**	**22.6**	**13.3**	**18.4**	**14.3**	**13.7**	**22.7**	**13.9**	**17.9**

(1) Private equity and private debt.

In the above allocation, assets reported under "Listed securities" are assets that have a regularly quoted market value at which they can be sold and those reported under "Unlisted securities" are assets managed by insurance companies and less liquid assets that could be sold on short notice or in difficult markets, at a discount.

An internal group of experts, composed of the chairs or Chief Investment Officers of the main investment committees and Group specialists, has issued investment guidelines for the local investment committees presenting investment best practices. In particular, the guidelines state that direct investments should not be made in Michelin securities or properties used by the Group. Fund managers are not subject to such restrictions. The Group has not invested material amounts in its own securities. Michelin does not occupy or use any of the real estate assets included in the various portfolios. The Group is not in possession of comprehensive information on the underlying assets held in insurance funds or alternative investments.

Alternative investments are composed of hedge funds and multi-asset products such as diversified growth funds in the United Kingdom. These kinds of investments are expected to deliver absolute returns with lower volatility than equities.

Other fixed income securities include emerging market bonds, mutual funds, liability hedging portfolios for which the managers invest in government and corporate bonds or in derivatives, as well as, in the United Kingdom, in multi-asset funds allowing the managers to switch between the main credit products depending on market conditions. This kind of investment is expected to have a return similar to that of corporate bonds, but with lower volatility due to its diversified profile (including asset backed securities, loans and high-yield bonds as well as cash, government and corporate bonds).

The real estate portfolio in the United Kingdom consists of an investment in an LPI (Limited Price Inflation) Income Property Fund composed of long-term leases that provides a secure, inflation-hedged return.

In most countries, assets are managed by local independent boards, in accordance with local pension laws. The boards are required by their bylaws as well as by law to act in the best interest of the fund and all relevant stakeholders, *i.e.*, current and future beneficiaries as well as employers.

Asset allocation analyses are performed periodically, generally every three to five years, by an independent fiduciary body (Investment Board, Board of Trustees) based on recommendations made by independent advisors (actuaries, consultants, banks or investment management firms). The asset allocation takes into account the structure of employee-related liabilities and their terms. In the event of a sharp increase in the funding ratio, an asset allocation analysis should be performed to ensure the target allocation is still appropriate.

The largest pension plans have implemented a dynamic asset allocation policy, whereby the target asset allocations are based on the plan's funded status. An improvement in funded status results in the de-risking of the portfolios, allowing more funds to be allocated to liability hedging assets (LHA) and less to return seeking assets (RSA). In the event of a decrease in the funding ratio, the target allocation remains unchanged, as the re-risking of the portfolios is not permitted. These pension plans have also implemented an interest rate hedging policy and, in the United Kingdom, an inflation hedging policy. The hedging ratio increases as the funding level improves.

The RSA are diversified with the objective of targeting efficient portfolios where the level of volatility is minimized for the targeted return. These portfolios combine domestic and global equities with real estate and alternative assets such as hedge funds and private placements. Special attention is given to less liquid asset classes that may complicate the de-risking process by creating concentrated positions or requiring transactions at discounted prices.

The LHA are used to hedge the duration risk as well as, in some cases, the credit spread and inflation risks. The LHA portfolios are primarily composed of government and corporate bonds. The larger plans also use completion managers to implement custom solutions in order to hedge key rates in accordance with the policy set by each pension fund.

Foreign exchange risks may be hedged when the exposure to a foreign currency is considered to be non-negligible. For instance, the UK fund is exposed to many currencies and has a policy of hedging 75% of its exposure. In Canada, 50% of the US dollar exposure is hedged. In other cases, investment managers are given discretion to hedge currency exposure as they deem necessary.

Group contributions to pension plans and benefit payments made by these plans in 2020 and to be made over the following ten years are as follows:

(in € millions)	North America	Europe	Other	Total
CONTRIBUTIONS PAID AND BENEFITS PAID DIRECTLY BY THE GROUP	**2**	**174**	**1**	**177**
2020				
ESTIMATES OF CONTRIBUTIONS TO BE PAID AND BENEFITS TO BE PAID DIRECTLY BY THE GROUP				
2021	2	85	-	87
2022	2	138	-	140
2023	2	118	-	120
2024	2	131	-	133
2025	2	142	-	144
2026-2030	103	543	-	646

The Group makes contributions to fully and partly funded plans in order to meet its future benefit payment obligations to the beneficiaries. The level of contributions is periodically determined by the Group based on factors such as current funding levels, legal and tax considerations and local practice, in consultation, as the case may be, with local boards and actuaries.

In the United States, the following year's contribution is determined annually in accordance with Internal Revenue Service (IRS) rules, in particular as regards temporary funding relief provided for under the Bipartisan Budget Act of 2015 (BBA15).

In Canada, the contributions are determined on a triennial basis and the funding plan is spread over 15 years as required under local regulations.

In the United Kingdom, the contributions are determined based on triennial actuarial valuations as required by the Pension Act. In the event of a deficit, the employer must implement a recovery plan in agreement with the Trustees. The current recovery plan matures in 2021.

In the case of unfunded plans, the payments are made on the due dates, either directly to the beneficiaries or indirectly via the relevant fund managers.

Future payments for unfunded plans are estimated based on data included in the calculation of the projected defined benefit obligation according to expected leaving dates each year. The same method is used for calculating the amount of the constitutive capital invested in partially funded plans with insurance companies.

27.1.2 Other defined benefit plans

In many countries, Group employees receive other post-employment benefits and long-term benefits throughout their term of employment. Other post-employment benefits mainly include health insurance and end-of-service benefits. Other defined benefit plans are mainly found in the United States, Canada and France. Other long-term benefits include mainly long-service awards provided under local company-specific agreements. Such defined benefit plans chiefly concern the Group's European companies.

As in the case of the above-described defined benefit pension plans, other defined benefit plans are valued with the assistance of independent actuaries using actuarial techniques. The obligations under these plans are not covered by assets and are recognized in full as liabilities.

The main plans provided within the Group are detailed below:

United States

The Group offers retiree medical benefits that provide healthcare coverage for Pre-Medicare and Medicare eligible retirees and their dependents.

Eligible retirees are mainly those who were active prior to January 1, 2004 and will have at least reached age 55 with 10 years of service at the date of retirement.

For Medicare-eligible retirees, the healthcare coverage is provided in addition to Medicare.

Medical and prescription drug expenses are covered by the plan. The retirees contribute to the cost of the pre-Medicare post-retirement medical plan.

In 2016, the plan was amended to move non-union Medicare-eligible retirees from a company-sponsored retirement offering to private Medicare exchanges. For this population, the plan provides the following benefit improvements:

- Retiree Reimbursement Account (RRA): this account is funded in a fixed annual amount per retiree and eligible dependents through a Retiree Health Exchange program to either reimburse Medicare, Medicare supplement and/or prescription drug premiums;
- Catastrophic Retiree Reimbursement Account (CRRA): if the retiree or dependent reaches the eligibility threshold for catastrophic drug coverage, he or she can receive reimbursement for the 5% of the out-of-pocket cost not covered by Medicare Part D.

The Group pays a premium for the administrative services. This plan is not pre-funded.

Canada

The Group provides healthcare coverage to certain retirees and their dependents. Medical and prescription drug expenses are covered by the plan.

This plan was closed to new entrants as from January 1, 2005.

The Group pays a premium for the administrative services. This plan is not pre-funded.

France

The main plan is a mandatory rubber division end-of-service benefit plan.

The plan provides for the payment of a lump sum to employees who are present at their retirement date. The normal retirement age is set at 65. The amount of the lump sum corresponds to a number of months of salary based on years of service at the time of retirement.

This plan is not pre-funded.

Changes in the financial position of other defined benefit plans are as follows:

(in € millions)	December 31, 2020 North America	Europe	Other	Total	December 31, 2019 North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	**759**	**1,047**	**91**	**1,897**	**724**	**983**	**53**	**1,760**
Translation adjustments	(63)	4	(15)	(74)	28	-	2	30
Change in scope of consolidation	-	-	-	-	-	(10)	11	1
Current service cost	9	57	9	75	9	50	8	67
Interest cost on the defined benefit obligation	22	9	1	32	30	17	2	49
Administrative costs	-	-	-	-	-	-	-	-
Plan reorganization costs generated during the year:								
▶ Past service cost due to the introduction of or amendments to defined benefit plans	-	(2)	-	(2)	(9)	-	9	-
▶ Past service cost due to curtailments of defined benefit plans	-	4	-	4	-	(18)	-	(18)
▶ (Gains) or losses on settlement of defined benefit plans	-	-	-	-	-	-	-	-
Benefits paid during the year	(50)	(57)	(4)	(111)	(47)	(53)	(5)	(105)
Other items	-	(1)	2	1	(3)	-	-	(3)
Actuarial (gains) or losses generated during the year	12	28	1	41	27	78	11	116
Present value of the obligations at the end of the year	**689**	**1,089**	**85**	**1,863**	**759**	**1,047**	**91**	**1,897**
Fair value of plan assets at the beginning of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Translation adjustments	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-
Interest income on plan assets	-	-	-	-	-	-	-	-
Contributions paid to the funds	-	-	-	-	-	-	-	-
Benefits paid by the plans during the year	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-
Actual return on plan assets excluding interest income	-	-	-	-	-	-	-	-
Fair value of plan assets at the end of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deficit/(surplus) at the end of the year	**689**	**1,089**	**85**	**1,863**	**759**	**1,047**	**91**	**1,897**
NET LIABILITY/(ASSET) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**689**	**1,089**	**85**	**1,863**	**759**	**1,047**	**91**	**1,897**

In 2020, the present value of other defined benefit plans decreased by €34 million, due to:

	2020	2019
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	74	(30)
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	(41)	(116)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	4	(11)
Changes in plan rules	(2)	18
Changes in the scope of consolidation	-	(1)
Other items	(1)	3

The present value of the other defined benefit obligation and experience adjustments are as follows for 2020 and the previous four periods:

(in € millions)	2020	2019	2018	2017	2016
Defined benefit obligation	(1,863)	(1,897)	(1,760)	(1,820)	(2,021)
Experience adjustments to plan liabilities	19	48	14	46	16
Experience adjustments to plan liabilities *(as a % of the present value of the obligation – DBO)*	-1.02%	-2.53%	-0.80%	-2.53%	-0.79%

The main actuarial weighted average assumptions used to measure obligations for other defined benefit plans are as follows:

	December 31, 2020			December 31, 2019		
	North America	Europe	Other	North America	Europe	Other
Discount rate	2.43%	0.69%	2.60%	3.07%	0.85%	2.82%
Weighted average duration of the defined benefit obligation	11.5	14.2	12.5	11.9	15.1	12.1

Assumptions concerning healthcare cost trends are as follows:

	December 31, 2020		December 31, 2019	
	United States	Canada	United States	Canada
Expected growth in healthcare costs in the first year	7.00%	4.04%	7.49%	3.83%
Minimum long-term rate of annual growth in healthcare costs	4.93%	4.05%	4.95%	4.05%
Year in which the minimum growth rate will be achieved	2026	2040	2026	2040

The discount rate is one of the main assumptions used in the measurement of the defined benefit obligation and changes in this rate may have a significant effect on the amounts reported. For each plan, all the actuaries calculate the sensitivities of the DBO and current service cost to changes in the main assumptions. The sensitivities of the DBO and cost (meaning in this case the aggregate of the current service cost and interest cost on the obligation) correspond to the weighted average change in the DBO and the cost, respectively, when one of these assumptions changes.

A 0.5-point change in these rates compared with those used for 2020, all else being equal, would have the following effect:

	0.5-point increase	0.5-Point decrease
Discount rate on the defined benefit obligation (DBO)	-6.52%	7.17%
Discount rate on the aggregate of the current service cost and interest cost on the obligation	0.32%	-0.69%
Healthcare cost trend rate on the healthcare defined benefit obligation	1.79%	-1.66%
Healthcare cost trend rate on the aggregate of the current service cost and interest cost on the healthcare plan obligation	1.54%	-1.69%

Net income and expenses recognized in the income statement are as follows:

(in € millions)	2020 North America	2020 Europe	2020 Other	2020 Total	2019 North America	2019 Europe	2019 Other	2019 Total
Current service cost	9	57	9	75	9	50	8	67
Interest cost on the defined benefit obligation	22	9	1	32	30	17	2	49
Interest income on plan assets	-	-	-	-	-	-	-	-
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	(1)	2	1	-	4	1	5
Past service cost recognized during the year:								
▶ due to the introduction of or amendments to defined benefit plans	-	(2)	-	(2)	(9)	-	9	-
▶ due to curtailments of defined benefit plans	-	-	-	-	-	-	-	-
Effect of defined benefit plan settlements	-	-	-	-	-	-	-	-
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	-	4	-	4	-	(18)	-	(18)
TOTAL OTHER DEFINED BENEFIT EXPENSES	**31**	**67**	**12**	**110**	**30**	**53**	**20**	**103**

Benefit payments made under other defined benefit plans in 2020 and to be made over the following ten years are as follows:

(in € millions)	North America	Europe	Other	Total
BENEFIT PAYMENTS MADE	**50**	**57**	**4**	**111**
2020				
ESTIMATES OF BENEFIT PAYMENTS TO BE MADE				
2021	39	51	1	91
2022	40	35	2	77
2023	40	52	2	94
2024	40	46	2	88
2025	40	38	3	81
2026-2030	189	241	19	449

For unfunded plans, such payments are made on the due dates, either directly to the beneficiaries or indirectly to the relevant administrators.

27.2 Defined contribution plans

In some Group companies, employees are covered by defined contribution plans. Such plans mainly provide benefits in addition to those of mandatory post-employment plans.

In 2020, the contributions paid to defined contribution plans and expensed amounted to €217 million (2019: €226 million).

These plans are mainly found in the United States, Canada, the United Kingdom and France.

United States

The defined contribution plans in the United States include the Michelin Retirement Account Plan (MRAP) and various 401(k) plans. The MRAP plan is fully funded by employer contributions. The contribution levels are based on age and years of service. The 401(k) plans are voluntary and are funded by employee contributions with employer matching contributions. In both the MRAP and 401(k) plans, asset allocation decisions are made by the employees. The asset allocation choices are determined and monitored by the North American Investment Committee under the authority of the US Pension Board.

Canada

The defined contribution plans in Canada include the Defined Contribution Plan for the Employees of Michelin North America (Canada) Inc. as well as a registered retirement savings plan (RRSP). The defined contribution plan is funded by core employer contributions and optional employee contributions with employer matching. The core contribution levels, modified at January 1, 2016, are based on years of service and age. The RRSP plan is voluntary and is funded by employee contributions with employer matching contributions. In both the DC and RRSP plans, asset allocation decisions are made by the employees. The asset allocation choices are determined and monitored by the North American Investment Committee under the authority of the US Pension Board.

United Kingdom

The main defined contribution pension plan in the United Kingdom is the Michelin Pension and Life Assurance plan DC section (for Michelin and ATS employees). It has been implemented as of December 1, 2004 for new entrants and as of January 1, 2009 for all employees who did not opt out.

For Michelin employees, there are employee and employer contributions to this plan. The contributions are based on a percentage of the eligible pay and age of the employee.

Employees may also make optional contributions to the plan and the Group will match some of these optional contributions. For ATS employees, there are employee and employer contributions. The level of contribution is chosen by the employee and matched by the employer. Contributions are a flat-rate amount whatever the age of the employee.

All contributions to the plan are held in a Pension Account in a Trust. The employees choose how to invest these contributions among the different options made available for the plan. The asset allocation choices are determined and monitored by the Board of Trustees.

France

There are two defined contribution pension plans in France: the "Article 83" plan and the "PERCO" plan.

The defined contribution "Article 83" retirement savings plan has been implemented as of January 1, 2012 in order to replace the defined benefit plan which will be gradually terminated. Article 83 is a mandatory retirement plan for all employees of the French companies concerned by the applicable agreement. Contributions are paid by the employee and the employer based on the capped gross annual salary. An individual account is opened in the name of each employee. Employees can claim an additional benefit when they become entitled to their pension under a compulsory retirement plan.

The PERCO was implemented on June 1, 2007 and revised on January 1, 2012. It is a voluntary retirement savings plan. Each employee can contribute to the plan and the Group will match the voluntary contributions made by the employee up to a cap.

NOTE 28 SHARE-BASED PAYMENTS

28.1 Employee stock option plans

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2020		2019	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**56.23**	**37,185**	**56.87**	**111,409**
Granted	-	-	-	-
Forfeited	51.16	(27)	52.05	(10,046)
Exercised	64.09	(14,570)	58.00	(64,178)
AT DECEMBER 31	**51.16**	**22,588**	**56.23**	**37,185**

22,588 of the 22,588 options outstanding as at December 31, 2020 are exercisable (2019: 37,185 exercisable out of a total of 37,185).

Stock option plans have the following exercise prices and expiration dates:

			December 31, 2020		December 31, 2019	
Grant date	Vesting date	Expiration date	Exercise price *(in € per option)*	Number of stock options outstanding	Exercise price *(in € per option)*	Number of stock options outstanding
May 2011	May 2015	May 2020	66.00	-	66.00	12,696
June 2012	June 2016	June 2021	51.16	22,588	51.16	24,489
NUMBER OF STOCK OPTIONS OUTSTANDING				**22,588**		**37,185**

28.2 Share grants and performance share plans

Changes in the number of share grants and performance share rights are as follows:

	2020	2019
	Number of share grants or performance share rights outstanding	Number of share grants or performance share rights outstanding
At January 1	**870,805**	**623,239**
Granted	588,960	377,292
Forfeited	(104,907)	(68,160)
Shares delivered	(81,518)	(61,566)
AT DECEMBER 31	**1,273,340**	**870,805**

Excellence Plan

In November 2020, 506,236 rights to performance shares were granted to Group employees and the Managers. The rights are subject to a four-year vesting period ending in November 2024 without any lock-up period. The shares will vest at the end of this period if the performance objectives have been met (stock market performance, environmental performance of manufacturing operations, employee engagement rate, sales growth and ROCE). The fair value of each performance share right is estimated at €75.62. This fair value is based on the share price at the grant date, less the present value of expected dividends that will not be received by grantees during the vesting period. The estimated value of the stock market performance condition is deducted from the grant-date fair value of the performance share rights based on the probability of this condition being met. The total cost for the Excellence plan set up in 2020 is estimated at €27 million.

France Plan

In November 2020, following the granting of performance share rights to the Managers under the Excellence plan, 82,724 shares were granted to employees of the Group's French companies to comply with legal requirements. The rights are subject to a two-year vesting period ending in November 2022 without any lock-up period. The shares are not subject to any performance conditions and will vest automatically at the end of the two-year period provided that the grantee is still employed by the Group. The fair value of each share grant is estimated at €101.54. This fair value is based on the share price at the grant date, less the present value of expected dividends that will not be received by grantees during the vesting period. The total cost for the France plan set up in 2020 is estimated at €8 million.

The share grants and performance share plans have the following characteristics:

Grant date	Vesting date		Lock-up period		Fair value at grant date		December 31, 2020 Number of share grants or performance share rights outstanding	December 31, 2019 Number of share grants or performance share rights outstanding
	France	Other countries	France	Other countries	France	Other countries		
2016	2020	2020	None	None	66.41	66.41	-	81,518
2017	2021	2021	None	None	66.84	66.84	182,751	283,965
2018	2022	2022	None	None	47.91	47.91	127,480	128,030
2019	2023	2023	None	None	62.01	62.01	374,369	377,292
2020	2024	2024	None	None	75.62	75.62	506,236	-
2020	2022	N/A	None	N/A	101.54	N/A	82,504	-
NUMBER OF SHARE GRANTS OR PERFORMANCE SHARE RIGHTS OUTSTANDING							**1,273,340**	**870,805**

The expense recognized in 2020 for performance share plans amounts to €17 million (2019: €7 million). It is included in "Segment other income and expenses".

28.3 Employee share ownership plans

In 2020, the Group launched a share offer for all its employees located in countries where the legal and tax requirements were met. This share ownership plan (Bib'Action), carried out under the Company savings plan (*Plan d'Épargne Groupe*), is a standard plan allowing employees to invest in Michelin shares at a discounted price. The shares acquired by the employees participating in the plan cannot be sold or transferred during a five-year period.

The purchase price was set at €76.37 per share, representing a 20% discount on the reference price of €95.46 corresponding to the average of the opening prices for Michelin shares over the 20 trading days preceding the pricing date. The employee's purchase was supplemented by a company contribution, increasing the number of shares received, capped at four shares out of the first four purchased by the employee.

713,983 shares were purchased during this share offer.

The total expense recognized in the income statement by the Group in relation to this plan amounted to €14 million, after deducting the effect of the five-year lock-up.

The main features of the plan and the assumptions used to determine the final cost were as follows:

Maturity of the plan	5 years
Number of shares purchased	713,983
Reference price *(in €)*	95.46
Purchase price for employees *(in €)*	76.37
Five-year risk-free interest rate(1)	0.00%
Five-year market participant rate(2)	4.73%
Dividend yield	2.19%
Cost of the lock-up period *(as a % of the reference price)*	20.63%
Recognized cost *(in € per share)*	19.05

(1) The risk-free interest rate is based on the yield on French government bonds with an equivalent maturity, or 0% if the interest rate is negative.
(2) The market participant rate is based on the cost for market participants of 0 to 5-year loans published by the European Central Bank.

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other non-current liabilities amount to €775 million (2019: €1,104 million) and include provisions for reorganizations and adaptation of activities, provisions for claims and litigation, warranties and other contingencies, and contract liabilities as described in note 3.8 "Revenue recognition".

29.1 Changes in provisions (current and non-current)

Changes in provisions during the period are presented below:

(in € millions)	Reorganizations and adaptation of activities	Litigation, warranties and other provisions	Total
At January 1, 2020	**414**	**436**	**850**
Additional provisions	52	101	153
Provisions utilized during the period	(189)	(87)	(276)
Unused provisions reversed during the year	(15)	(11)	(26)
Translation adjustments	(5)	(18)	(23)
Other effects	1	(76)	(75)
AT DECEMBER 31, 2020	**258**	**345**	**603**
Of which short-term portion (note 30)	168	64	232

29.2 Reorganizations and adaptation of activities

At December 31, the remaining provisions for reorganizations and adaptation of activities relate to following countries:

(in € millions)	December 31, 2020	December 31, 2019
France(1)	88	183
Germany(2)	116	123
United Kingdom	32	86
Italy	5	11
Other countries	17	11
TOTAL	**258**	**414**

(1) Consisting mainly of the provision for reorganization of the La Roche-sur-Yon plant (note 9.2).
(2) Consisting mainly of the provision for the closure of the Bamberg plant (note 9.2).

29.3 Provisions for claims and litigation, warranties and other provisions

Provisions at December 31 concern the following risks:

(in € millions)	December 31, 2020	December 31, 2019
Provisions for claims and litigation	90	175
Provisions for product warranties (note 3.8)	62	65
Provisions for product liability claims	40	46
Other provisions for contingencies	153	150
TOTAL	**345**	**436**

Provisions for claims and litigation mainly concern litigation with URSSAF dating back several years for €50 million (2019: €128 million). During the second half of 2020, the Group decided to stop contesting certain claims concerning the years 2008 to 2015. The Group had chosen to pay a total amount of €115 million in the context of this litigation in order to prevent any further accumulation of late interest. Following the decision to stop contesting certain claims, the provision was reduced, along with the asset recognized when the payment was made.

NOTE 30 PROVISIONS AND OTHER CURRENT LIABILITIES

The carrying amount of other current liabilities is presented in the table below:

(in € millions)	December 31, 2020	December 31, 2019
Customers - Deferred rebates	796	879
Employee benefit obligations	556	613
Payroll tax liabilities	304	302
Provisions for reorganizations and adaptation of activities	168	233
Income tax payable	186	145
Other taxes	223	237
Other	407	429
PROVISIONS AND OTHER CURRENT LIABILITIES	**2,640**	**2,838**

NOTE 31 NOTES TO THE STATEMENT OF CASH FLOWS

Cash flows are presented in detail in the table below:

(in € millions)	2020	2019
Investment grants recognized in profit or loss	(12)	(13)
Change in employee benefit obligations	(180)	(217)
Change in litigation and other provisions	(5)	(23)
Restructuring costs	(206)	(172)
Other	18	26
Other operating income and expenses (cash) and change in provisions	**(385)**	**(399)**
Interest and other financial expenses paid	(305)	(371)
Interest and other financial income received	28	34
Dividends received	12	12
Interest and other financial income and expenses received and paid, net	**(265)**	**(325)**
Change in inventories	552	147
Change in trade receivables and advances	92	(81)
Change in trade payables and advances	(34)	(140)
Change in trade payables under reverse factoring agreements	15	5
Change in other receivables and payables	75	(30)
Change in working capital, net of impairment	**700**	**(99)**
Purchases of intangible assets (note 13)	(180)	(207)
Purchases of PP&E (note 14)	(1,041)	(1,594)
Government grants received	6	8
Change in capital expenditure payables	(154)	11
Purchases of intangible assets and PP&E	**(1,369)**	**(1,782)**
Increase in other non-current financial assets	(45)	(34)
Decrease in other non-current financial assets	26	19
Net cash flows from cash management financial assets	(105)	-
Net cash flows from borrowing collaterals	79	(68)
Net cash flows from other current financial assets	20	(26)
Cash flows from other financial assets	**(25)**	**(109)**
Increase in non-current financial liabilities	2,439	184
Decrease in non-current financial liabilities	(1,076)	(378)
Repayment of lease liabilities	(244)	(238)
Net cash flows from current financial liabilities	731	(486)
Derivatives	(66)	48
Cash flows relating to financial liabilities, net	**1,784**	**(870)**
Details of non-cash transactions:		
▶ New leases (note 14)	211	217
▶ New carbon emission rights granted	12	9

NOTE 32 COMMITMENTS AND CONTINGENCIES

32.1 Commitments

32.1.1 Capital expenditure commitments

Capital expenditure on the main projects which were contracted but not delivered before December 31, 2020 amounts to €116 million (of which €8 million is likely to be delivered in 2022).

32.1.2 Other commitments

The Group has many purchase commitments for goods and services. These commitments are in line with the level of activity expected in the first half of 2021. They are entered into on arm's length terms in the normal course of business.

32.2 Contingencies

32.2.1 Michelin Pension Trust Ltd UK

Following adoption of the "Pension Act 2004" in the United Kingdom, a multi-annual plan of contributions to the UK pension fund (the "Recovery Plan") was established between Michelin Pension Trust Ltd UK and Michelin UK. In order to limit the amount of the contributions and potentially spread them over more than ten years, the Group has given a guarantee to the pension fund covering the contributions which its subsidiary will have to make.

A similar guarantee was given to the trustees of the Fenner Pension Scheme UK following the acquisition of Fenner.

The latest recalculation of the Recovery Plan liability was carried out at March 31, 2020 and the next one will be completed before the end of June 2021. The actuarial assumptions used to measure the Recovery Plan liability are generally more conservative than the ones used to measure defined benefit obligations under IAS 19.

The amount of the Group's guarantee is equal to the difference, if positive, between the present value of future contributions and the amount of the provision booked in the accounts. At December 31, 2020, the present value of future contributions in excess of the provision booked in the consolidated financial statements was €295 million, including €285 million for the guarantee given to the trustees of the Michelin Pension Trust Ltd UK and €10 million for the guarantee given to the Fenner Pension Scheme UK trustees.

32.2.2 Other contingencies

In the normal course of business, the Group companies may be involved in administrative proceedings, litigation and claims. Although provisions have been recognized when the risks are established and an outflow of financial resources is probable, there exist uncertainties concerning some of these administrative proceedings, litigation and claims.

In the opinion of Group management, there are no other governmental, judicial or arbitration proceedings likely to have a material impact on the Group's financial position or cash position.

32.3 Assets pledged as collateral

32.3.1 Property, plant and equipment

Property, plant and equipment pledged as collateral for debt amounted to €33 million (2019: €33 million).

32.3.2 Financial assets

Loans and deposits amounting to €22 million (2019: €103 million) are pledged as collateral for debt (note 16 "Derivative instruments").

32.3.3 Trade receivables

The Group runs two separate programs whereby certain European and North American subsidiaries have transferred ownership interests in portfolios of eligible trade receivables. The maximum financing that can be raised from these programs amounts to €463 million (2019: €479 million). Since the Group has retained substantially all the risks and rewards of ownership, the ownership interests in the trade receivable portfolios sold by the European and North American subsidiaries have not been derecognized and the financing received from the financial institutions, amounting to €15 million at December 31, 2020 (2019: €15 million), has been accounted for as secured debt (note 26.2 "Loans from financial institutions and other").

NOTE 33 FINANCIAL RISK MANAGEMENT

33.1 Financial risk management policy

33.1.1 Organization of financial risk management

The Corporate Financing Department controls, measures and supervises financial risks for each company and region, as well as at Group level. The Corporate Financing Department reports directly to the Group Finance Department.

One of the Corporate Financing Department's ongoing missions is the formulation of financial risk management policies, monitored on the basis of a full array of internal standards, procedures and authoritative literature. Regional finance managers oversee the implementation of the Group's financial risk management policies by the regional treasury centers. Compliance with financial risk policies is assessed through internal audit reviews to evaluate risk control efficiency and identify areas of improvement.

All strategic decisions regarding Group financial risk hedging policy are made by the Group Finance Department. As a general rule, the Group strictly limits the use of derivatives to the sole purpose of hedging clearly identified exposures.

A Financial Risks Committee is responsible for establishing and validating financial risk management policies, identifying and measuring these risks and validating and monitoring hedging programs. The Financial Risks Committee, which is chaired by a Manager, meets on a monthly basis and includes members of the Group Finance Department and the Corporate Financing Department.

33.1.2 Liquidity risk

33.1.2.1 Risk factors

Liquidity is defined as the ability to repay borrowings when they fall due and to find new stable sources of financing so that there is always sufficient money to cover expenses. In the course of its business, the Group is exposed to the risk of having insufficient liquid resources to finance its operations and make the investments needed to drive its growth. It must therefore manage its cash reserves and confirmed lines of credit on a continuous basis.

33.1.2.2 Risk management processes

The Corporate Financing Department is responsible for ensuring that the Group has access to adequate financing and liquidity at the lowest cost. The Group raises financing through long-term debt issues (bonds) on the capital markets, as well as through bank facilities (loans and credit lines), commercial paper programs and receivables securitization programs. The Group has also negotiated confirmed back-up credit lines and maintains cash reserves that are calibrated in order to ensure the refinancing of short-term debt. Long-term financing and confirmed back-up credit lines are essentially concentrated at the level of the Group financial holding companies.

Except in the case of particular restrictions due to the specific features of local financial markets, the Group companies are financed in accordance with the following model:

- cash pooling with the Group for the management of day-to-day liquidity requirements;
- intercompany credit lines and loans to meet medium- and long-term requirements.

For subsidiaries that do not participate in the cash pool, short-term financing is the responsibility of the local treasurer.

The management of liquidity risk is supported by a system that forecasts short-, medium- and long-term financing requirements based on business forecasts and the strategic plans of the operating entities.

As a matter of prudent financial policy, the Group guards against the inclusion in its financial contracts of hard covenants or material adverse change clauses that could affect its ability to draw down credit lines or the facilities' term. At December 31, 2020, none of the Group's loan agreements included any clauses of this type. Concerning default and acceleration clauses included in the Group's loan agreements, the probability of trigger events occurring is low and the possible impact on the Group's financial position would not be material.

33.1.3 Currency risk

33.1.3.1 Risk factors

Currency risk is defined as the impact on financial indicators of fluctuations in the exchange rates of foreign currencies used in the normal course of business. The Group is exposed to currency risks on its foreign currency transactions (transaction risk) and also on the translation of its net investment in foreign subsidiaries (translation risk).

Foreign currency transaction risk arises from the monetary assets and liabilities of the company and its subsidiaries (mainly cash and cash equivalents, receivables, payables and borrowings) that are denominated in foreign currencies. It corresponds to the risk of a change in the exchange rate between the date when these monetary assets and liabilities are recorded in the accounts and the date when they are recovered or settled.

Foreign currency translation risk arises from the Group's net investment in foreign subsidiaries. It corresponds to the risk of a change in the exchange rate used to translate the net investment in the foreign subsidiary into euros during the consolidation process.

33.1.3.2 Risk management processes

Foreign currency transaction risk

Foreign currency transaction risk is monitored locally by the Company and its subsidiaries and at Group level by the Corporate Financing Department.

Each Group company continually calculates its accounting exposure in relation to its functional currency and hedges it systematically. Temporary exemptions can, however, be approved by the Group Finance Department when it is not possible to hedge a currency on the market or when an exemption is justified due to exceptional market conditions.

Foreign currency payables and receivables of the same type and with equivalent maturities are netted off and only the net exposure is hedged. This is normally carried out through Compagnie Financière Michelin, or, alternatively, through a bank. Compagnie Financière Michelin in turn assesses its own resulting net exposure and hedges it with its banking partners. The main hedging instruments used are forward currency contracts. The structural exposure is hedged using long-term instruments (with a life of up to seven years) and the operational exposure is hedged using short-term instruments (generally expiring within three months). Currency risk monitoring and hedging is based on Group internal standards and procedures. A system to closely monitor foreign currency transaction risk is implemented throughout the Group under the responsibility of the Corporate Financing Department. Gains and losses on foreign currency transactions are tracked on a monthly basis in a detailed management report.

Currency translation risk

The Group does not use hedging instruments to actively manage this risk.

Investments in foreign subsidiaries are booked in the functional currency of the parent company and are not included in the latter's foreign exchange position.

33.1.4 Interest rate risk

33.1.4.1 Risk factors

The Group's income statement may be affected by interest rate risk. An unfavorable change in interest rates may adversely affect future finance costs and cash flows. The Group is in a net debt position and is exposed to the risk of an increase in interest rates on the portion of its debt that is at variable rates. It may also be exposed to an opportunity risk in the case of a fall in interest rates, if too great a proportion of debt is at fixed rates, as well as on financial investments, depending on their interest terms.

33.1.4.2 Risk management processes

The objective of interest rate management is to minimize financing costs whilst protecting future cash flows against unfavorable movements in interest rates. For this purpose, the Group uses various derivative instruments available in the market, but restricts itself to the use of “plain vanilla“ instruments (interest rate swaps, mainly).

Interest rate exposure is analyzed and monitored by the Financial Risks Committee using monthly performance indicators and management reports.

The interest rate position is centralized by currency by the Corporate Financing Department, which is the only department permitted to undertake hedging operations. Interest rate hedging is concentrated on the main currencies. The Financial Risks Committee sets hedging limits by currency, taking into consideration the Group's gearing as hedging needs change in line with this ratio.

33.1.5 Equity risk

33.1.5.1 Risk factors

The Group holds non-controlling interests in companies whose share price fluctuates, among other things, in line with changes in the global stock markets, the multiples applied by the markets to the industries in which these companies operate and their specific economic and financial metrics.

Equity investments are made for strategic rather than trading purposes. Equities are held under a medium- or long-term strategy, and not for short-term trading portfolio management.

33.1.5.2 Risk management processes

The Group Investments Committee, which comprises representatives from the Finance, Legal Affairs, Mergers & Acquisitions and Strategy Departments, is responsible for ensuring that investment management and monitoring rules are properly applied for its non-controlling interests. To this end, it reviews investments at annual intervals to assess the risk level and actual results compared to defined targets.

33.1.6 Counterparty risk

33.1.6.1 Risk factors

Counterparty risk is the risk of a debtor refusing or being unable to fulfill all or part of its obligations. The Group is exposed to counterparty risk on its contracts and financial instruments. Counterparty risk may lead to an impairment loss or a loss of liquidity. The Group is exposed to the risk of impairment losses arising from the investment of available cash in money market instruments and other marketable securities, as well as on finance receivables, derivative instruments and third party guarantees. It is exposed to the risk of a loss of liquidity on its undrawn confirmed lines of credit.

33.1.6.2 Risk management processes

The Group chooses its banks extremely carefully, particularly when it comes to the management of its cash investments. As it would be inappropriate to add financial risk to the other risks that are associated with its operations, the Group gives priority to the security and the liquidity of its cash investments. Cash investments consist of (i) financial instruments that are subject to no risk or an insignificant risk of changes in value purchased from a sufficiently diversified group of leading banks, and (ii) unrestricted units in diversified money market funds or short-term bond funds.

The Group is also exposed to counterparty risk on derivative instruments used for hedging purposes that have a positive fair value. These hedging instruments and the level of concentration by bank are tracked weekly by Group Treasury and monitored monthly by the Financial Risks Committee.

In order to mitigate counterparty risk on its derivatives instruments, the Group exchanges collateral with its main banks.

33.1.7 Credit risk

33.1.7.1 Risk factors

Credit risks may arise when the Group grants credit to its customers. If a customer becomes insolvent or files for bankruptcy, it may default on the receivables held by the Group and this may have a negative impact on the Group's earnings and cash flows.

33.1.7.2 Risk management processes

The Credit Department, which is part of the Group Financial Department, sets the maximum payment terms and customer credit limits to be applied by the operating companies. It manages and controls credit activity, risk and results, and is also responsible for managing and collecting trade receivables. The main policies and procedures are defined at Group level and are monitored and controlled at both regional and Group level.

33.2 Quantitative and qualitative data related to financial risk

33.2.1 Liquidity risk

At December 31, 2020, the debt repayment schedule (principal and interest) and the maturities of undrawn confirmed credit lines are as follows:

(in € millions)	2021	2022	2023	2024	2025	2026	2027 and beyond
Bonds	153	851	578	68	809	59	4,367
Commercial paper	939	-	-	-	-	-	-
Loans from financial institutions and other	485	95	61	25	28	17	11
Lease liabilities	253	216	171	143	111	87	179
Derivative instruments	(1)	19	(58)	1	1	1	2
DEBT REPAYMENT SCHEDULE	**1,829**	**1,181**	**752**	**237**	**949**	**164**	**4,559**
LONG-TERM UNDRAWN CONFIRMED CREDIT LINES	**-**	**-**	**2,500**	**-**	**-**	**-**	**-**

This table analyzes principal and interest payments on debt by payment date, as projected using available market data at the reporting date (interest is calculated in each currency on the basis of market rates, and converted into euros at period-end rates). The amounts shown are not discounted.

In 2020, the Group rolled over its €2,500 million syndicated credit line for a further period of three years, with two one-year extension options.

The Group considers that at December 31, 2020 its sources of financing were sufficient to meet the needs of the business:

- cash and cash equivalents for €4,747 million;
- cash management financial assets for €285 million;
- a €2,500 million NEU CP commercial paper program, of which €898 million had been utilized at December 31, 2020;
- a USD 700 million (€570 million) US CP commercial paper program, of which USD 50 million (€42 million) had been utilized at December 31, 2020;
- two €463 million factoring programs activated when there are sufficient trade receivables of high enough quality, drawn down by €15 million as of December 31, 2020;
- €2,500 million in confirmed, undrawn lines of credit.

33.2.2 Currency risk

Foreign currency transaction risk

Net currency hedging positions are presented in the table below:

	December 31, 2020				December 31, 2019			
(in € millions)	EUR	CNY	USD	Other	EUR	CNY	USD	Other
Hedges	817	(321)	386	(1,058)	863	(479)	(354)	(1,122)

The other currencies mainly include currency hedges in MXN and GPB.

A 1% unfavorable change in exchange rates for the above currencies would not have a material adverse effect on the consolidated income statement. This relatively low sensitivity to foreign currency transaction risk is consistent with the objective described in section 33.1.3 "Currency risk".

Because of the low volume of cash flow hedges (note 16 "Derivative instruments"), the sensitivity of equity to currency risk is not material.

Currency translation risk

A breakdown of equity by currency is provided in the following table:

(in € millions)	December 31, 2020	December 31, 2019
EUR	4,308	4,449
USD	4,038	4,142
GBP	1,587	1,394
BRL	843	1,104
CNY	652	540
THB	530	586
CAD	284	335
IDR	108	130
Other	281	549
TOTAL	**12,631**	**13,229**

33.2.3 Interest rate risk

Net debt at December 31, 2020 breaks down as follows by type of hedge and by currency:

	Net debt before hedging			Currency hedging	Net debt after currency hedging but before interest rate hedging			Interest rate hedging		Net debt after hedging		
(in € millions)	Fixed	Variable	Total		Fixed	Variable	Total	Fixed	Variable	Fixed	Variable	Total
USD	1,312	318	**1,630**	(904)	335	391	**726**	571	(571)	906	(180)	**726**
THB	159	57	**216**	461	159	518	**677**	200	(200)	359	318	**677**
CNY	22	(44)	**(22)**	520	22	476	**498**	195	(195)	217	281	**498**
EUR	5,079	(3,403)	**1,676**	(1,198)	6,056	(5,578)	**478**	(91)	91	5,965	(5,487)	**478**
MXN	1	(1)	**-**	477	1	476	**477**		-	1	476	**477**
GBP	58	(13)	**45**	236	58	223	**281**	82	(82)	140	141	**281**
Other currencies	129	(107)	**22**	408	129	301	**430**	175	(175)	304	126	**430**
Total before derivatives	**6,760**	**(3,193)**	**3,567**	**-**	**6,760**	**(3,193)**	**3,567**	**1,132**	**(1,132)**	**7,892**	**(4,325)**	**3,567**
Fair value of derivatives included in net debt			**(36)**				**(36)**					**(36)**
NET DEBT (NOTE 26)			**3,531**				**3,531**					**3,531**

A 1-point parallel shift in the yield curves applied to the net debt components would have the following impact at December 31, 2020:

	Annualized cash impact recognized in the income statement	Fair value impact			
(in € millions)		Recognized in the income statement(1)	Recognized in other comprehensive income(2)	Not recognized(3)	Total
1-point downward shift	(43)	(19)	-	(609)	(628)
1-point increase	43	19	-	609	628

(1) The Group interest rate policy aims at hedging perfectly identified future cash flows. However, some derivative instruments do not qualify for hedge accounting under IFRS and are measured at fair value through profit or loss.
(2) For derivatives qualifying for hedge accounting (cash flow hedges).
(3) Some fair value impacts are not accounted for because the underlying net debt component is not measured at fair value but at amortized cost.

33.2.4 Equity risk

Equity risk is the risk of a 10% unfavorable change in the price of equities held by the Group.

(in € millions)	December 31, 2020	December 31, 2019
Carrying amount (note 15.1)	229	237
IMPACT ON EQUITY OF A 10% UNFAVORABLE CHANGE IN THE PRICE OF EQUITIES HELD BY THE GROUP	**(19)**	**(19)**

33.2.5 Counterparty risk

At December 31, 2020, 70% of cash and cash equivalents (including cash management financial assets) was invested in money market or short-term bond funds to allow for a maximum diversification of counterparty risk. The balance is invested directly with international banks that meet the counterparty risk management criteria defined by the Group.

Furthermore, most derivatives are contracted with the same banks.

33.2.6 Credit risk

At December 31, 2020, net receivable balances from the ten largest customers amounted to €398 million (2019: €451 million). Six of these customers are located in Europe and four in North America. At the same date, 55 customers (2019: 67) had been granted credit limits in excess of €10 million. Out of these, 24 are located in Europe, 22 in North America, one in Central America, one in South America, two in Asia and five in Africa, India and the Middle East. No material collateral has been received to limit the related credit risk. In 2020, credit losses represented 0.09% of sales (2019: 0.11%).

33.2.7 Commodities derivatives

In 2020, the Group did not have any significant hedges of commodities purchases (note 16.3 "Derivative contractual amounts").

33.3 Capital risk management

The Group's objectives when managing its capital are to protect its ability to continue as a going concern and to ensure its development, so that it can provide returns for shareholders and benefits for other stakeholders.

The main indicator used for capital management purposes is gearing. Gearing corresponds to the ratio of net debt to equity.

(in € millions)	December 31, 2020	December 31, 2019
Net debt (note 26)	3,531	5,184
Total equity	12,631	13,229
GEARING	**0.28**	**0.39**

33.4 Classification of financial assets

Group financial assets break down as follows between the categories "at fair value through profit or loss (FVTPL)", "at fair value through other comprehensive income (FVOCI)" and "at amortized cost" at December 31, 2020:

(in € millions)	FVTPL	FVOCI	Amortized cost	Total 2020
Trade receivables	-	-	3,018	3,018
Current financial assets	72	2	355	429
Cash and cash equivalents	3,786	-	961	4,747
Non-current financial assets	117	219	529	865
TOTAL FINANCIAL ASSETS	**3,975**	**221**	**4,863**	**9,059**

33.5 Fair value measurement hierarchy

The following tables present Group assets and liabilities measured at fair value at December 31, 2020 and 2019 by level in the fair value measurement hierarchy:

(in € millions)	Level 1	Level 2	Level 3	Total 2020
Cash and cash equivalents	3,786	-	-	3,786
Current financial assets	22	52	-	74
Non-current financial assets	35	101	200	336
TOTAL ASSETS	**3,843**	**153**	**200**	**4,196**
Derivative instruments (note 16.2)	-	117	-	117
TOTAL LIABILITIES	**-**	**117**	**-**	**117**

(in € millions)	Level 1	Level 2	Level 3	Total 2019
Cash and cash equivalents	973	-	-	973
Current financial assets	102	21	-	123
Non-current financial assets	21	127	217	365
TOTAL ASSETS	**1,096**	**148**	**217**	**1,461**
Derivative instruments (note 16.2)	-	194	-	194
TOTAL LIABILITIES	**-**	**194**	**-**	**194**

There has been no significant transfer during these two years between level 1 and level 2.

The following table presents the changes in level 3 instruments for the year ended December 31, 2020:

(in € millions)	
At January 1, 2020	**216**
Acquisitions	13
Disposals	(45)
Changes in the scope of consolidation	-
Transfers from level 1 or 2 to level 3	-
Transfers from level 3 to level 1 or 2	(3)
Gains or losses for the year recognized in net income	-
Gains or losses for the year recognized in other comprehensive income	18
Other	(6)
AT DECEMBER 31, 2020	**193**

NOTE 34 RELATED-PARTY TRANSACTIONS

Management and Supervisory Bodies

In a spirit of solidarity with the community of Michelin employees in last year's environment shaped by the Covid-19 crisis, the Managing Chairman and the General Manager forfeited part of the compensation due to them for 2020.

Florent Menegaux, Managing Chairman and Managing General Partner of Compagnie Générale des Établissements Michelin, received a statutory distribution based on 2019 net income of €1.0 million (2019 based on 2018 net income: €0.7 million). He was also awarded compensation of €1.1 million (payroll taxes included) as General Manager of Manufacture Française des Pneumatiques Michelin (2019: €1.2 million). The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.4 million (2019: €0.5 million).

The statutory distribution paid to Jean-Dominique Senard, Managing Chairman and Managing General Partner of Compagnie Générale des Établissements Michelin (until May 2019), in 2020 based on 2019 net income amounted to €1.7 million (2019 based on 2018 net income: €3.0 million).

Yves Chapot received compensation of €1.2 million (payroll taxes included) as General Manager of Compagnie Générale des Établissements Michelin (2019: €1.1 million). The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.4 million (2019: €0.4 million). A provision of €0.9 million (payroll taxes included) has been recognized based on the present value of the vested rights in a long-term incentive bonus program and a variable compensation program.

At December 31, 2020, the Group Executive Committee had eight members (2019: eight members). Employee benefits costs for members of the Group Executive Committee amounted to €10.9 million in 2020 (2019: €11 million). This amount breaks down as follows:

(in € millions)	**2020**	**2019**
Short-term benefits	7.3	7.2
Post-employment benefits	1.9	2.3
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1.7	1.5
COMPENSATION GRANTED TO MEMBERS OF THE GROUP EXECUTIVE COMMITTEE	**10.9**	**11.0**

The compensation paid in 2020 to the Supervisory Board members for 2019 was €0.7 million (2019 for 2018: €0.7 million).

NOTE 35 EVENTS AFTER THE REPORTING DATE

Simplification and competitiveness project to support developments in the Group's operations in France

On January 6, 2021, the Group announced the deployment of a more extensive simplification and competitiveness plan that will significantly improve the agility and performance of its manufacturing and office-based operations in France.

The plan, which is part of a broader co-construction and social dialogue process, will be supported by the negotiation of a three-year framework agreement that will not entail any layoffs or plant closures.

The Group reaffirms its growth ambitions in France, to consolidate its positioning in premium and specialty tires while continuing to base new high value-added businesses in the country, particularly in the services, sustainable materials, energy transition and recycling segments.

The Group expects to improve its competitiveness by up to 5% a year in the corporate and administrative activities and by up to 5% a year in the manufacturing operations, which may vary depending on the plant's operations and competitive environment. This could mean position reductions of up to 2,300 over the next three years (up to 1,100 in the tertiary sector and up to 1,200 in the industry sector). Nearly 60% of the projected separations would be based on early retirement opportunities and the remainder on Group-supported voluntary severances. For every job eliminated, Michelin is committed to help to create another, either through the development of its new businesses or through its participation in local job market revitalization programs, within a realistic timeframe.

As of the date when the Group's consolidated financial statements were approved for publication, the project's final cost and terms had not yet been determined and no provision was recorded. Decisions will be regularly made and announced by the Group, based on identified needs and progress observed on projects.

No other significant event occurred between the reporting date and the date when the Managing Chairman approved the consolidated financial statements for publication.

NOTE 36 LIST OF CONSOLIDATED COMPANIES

Countries are presented based on the Michelin geographical regions and are listed within each region according to the alphabetical order of the French names.

Companies	Consolidation method	Registered office	Type	% interest
EUROPE				
GERMANY				
Michelin Reifenwerke AG & Co. Kommanditgesellschaft auf Aktien	Full consolidation method	Karlsruhe	Manufacturing & commercial	100.00
Euromaster GmbH	Full consolidation method	Mannheim	Commercial	100.00
Euromaster Reifenservice Deutschland GmbH	Full consolidation method	Mannheim	Commercial	100.00
Euromaster Immobilien GmbH	Full consolidation method	Mannheim	Commercial	100.00
Advantico GmbH	Full consolidation method	Mannheim	Commercial	60.00
Michelin Deutschland GmbH	Full consolidation method	Karlsruhe	Financial	100.00
PTG Reifendruckregelsysteme GmbH	Full consolidation method	Neuss	Commercial	100.00
Michelin Finanz Gesellschaft für Beteiligungen AG & Co. OHG	Full consolidation method	Karlsruhe	Financial	100.00
Ihle Tires GmbH	Full consolidation method	Muggensturm	Commercial	100.00
Tirecorp GmbH	Full consolidation method	Muggensturm	Commercial	100.00
Ihle International GmbH	Full consolidation method	Muggensturm	Commercial	100.00
ProServ Produktionsservice und Personaldienste GmbH	Equity method	Karlsruhe	Miscellaneous	49.00
Dichtelemente Hallite GmbH	Full consolidation method	Hamburg	Manufacturing & commercial	100.00
Camso Deutschland GmbH	Full consolidation method	Duisbourg	Commercial	100.00
Masternaut GmbH	Full consolidation method	Munich	Commercial	100.00
AUSTRIA				
Michelin Reifenverkaufsgesellschaft m.b.H.	Full consolidation method	Vienna	Miscellaneous	100.00
Euromaster Reifenservice GmbH	Full consolidation method	Vienna	Commercial	100.00
Camso Austria GmbH	Full consolidation method	Korneubourg	Commercial	100.00
BELGIUM				
Michelin Belux S.A.	Full consolidation method	Zellik	Commercial	100.00
Michelin Travel Partner Belgium BVBA	Full consolidation method	Zellik	Commercial	100.00
Camsotech European R&D Centre NV	Full consolidation method	Ghent	Financial	100.00
Eurowheel BVBA	Full consolidation method	Herenthout	Manufacturing	100.00
ITC International Tire NV	Full consolidation method	Wommelgem	Commercial	85.00
Industrial International Tire Company NV	Full consolidation method	Wommelgem	Commercial	85.00
BULGARIA				
Michelin Bulgaria EOOD	Full consolidation method	Sofia	Miscellaneous	100.00
CROATIA				
Michelin Hrvatska d.o.o.	Full consolidation method	Zagreb	Commercial	100.00
DENMARK				
Euromaster Danmark A/S	Full consolidation method	Skanderborg	Commercial	100.00
Michelin Gummi Compagni A/S	Full consolidation method	Frederiksberg	Miscellaneous	100.00
Euromaster Ejendomme A/S	Full consolidation method	Skanderborg	Commercial	100.00
Viborg Direct A/S	Full consolidation method	Skanderborg	Commercial	100.00
Ihle Skandinavien ApS	Full consolidation method	Copenhagen	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
SPAIN				
Michelin España Portugal, S.A.	Full consolidation method	Tres Cantos	Manufacturing & commercial	99.81
Euromaster Automoción y Servicios, S.A.	Full consolidation method	Madrid	Commercial	100.00
Nex Tyres, S.L.	Full consolidation method	Lleida	Commercial	50.00
Michelin Travel Partner España Portugal SrL	Full consolidation method	Tres Cantos	Commercial	99.81
Lehigh Spain S.L.	Full consolidation method	Barcelona	Miscellaneous	100.00
Servicios y Asistencia OK24, S.L.	Full consolidation method	Madrid	Commercial	60.80
Fundación Michelin España Portugal	Full consolidation method	Valladolid	Miscellaneous	99.81
Rodi Metro, S.L.	Equity method	Lleida	Miscellaneous	20.00
Fenner Dunlop S.L.	Full consolidation method	Esparreguera	Manufacturing & commercial	100.00
Camso Spain, S.L.	Full consolidation method	Saragossa	Commercial	100.00
Masternaut Iberica S.L.	Full consolidation method	Madrid	Commercial	100.00
ESTONIA				
Michelin Rehvide OÜ	Full consolidation method	Tallinn	Miscellaneous	100.00
FINLAND				
Oy Suomen Michelin Ab	Full consolidation method	Espoo	Miscellaneous	100.00
Suomen Euromaster Oy	Full consolidation method	Pori	Commercial	100.00
FRANCE				
Compagnie Générale des Établissements Michelin	Full consolidation method	Clermont-Ferrand	Parent	-
Manufacture Française des Pneumatiques Michelin	Full consolidation method	Clermont-Ferrand	Manufacturing & commercial	100.00
Pneu Laurent	Full consolidation method	Avallon	Manufacturing & commercial	100.00
Simorep et Cie – Société du Caoutchouc Synthétique Michelin	Full consolidation method	Bassens	Manufacturing	100.00
Euromaster France	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Michelin Aircraft Tyre	Full consolidation method	Clermont-Ferrand	Commercial	100.00
Transityre France	Full consolidation method	Clermont-Ferrand	Commercial	100.00
Alliance Réseaux	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	100.00
One Shot Pay	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	60.00
Michelin Travel Partner	Full consolidation method	Boulogne-Billancourt	Commercial	100.00
Spika	Full consolidation method	Clermont-Ferrand	Financial	100.00
Michelin Air Services	Full consolidation method	Clermont-Ferrand	Miscellaneous	100.00
Société Nationale des Établissements Piot Pneu	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Tyredating	Full consolidation method	Lyon	Commercial	100.00
Ihle France	Full consolidation method	Schiltigheim	Commercial	100.00
Euromaster Services et Management	Full consolidation method	Clermont-Ferrand	Commercial	100.00
GIE Michelin Placements	Full consolidation method	Clermont-Ferrand	Financial	100.00
Simp	Full consolidation method	Clermont-Ferrand	Financial	51.00
Société d'Investissements et de Mécanique	Full consolidation method	Montagny	Miscellaneous	100.00
Michelin Ventures SAS	Full consolidation method	Clermont-Ferrand	Financial	100.00
Mon Tour en France	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	100.00
Oxymore	Full consolidation method	Montbonnot-Saint-Martin	Commercial	96.15
Jean Estager et Cie	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Teleflow SAS	Full consolidation method	Mably	Miscellaneous	100.00
V Data Services	Full consolidation method	Nantes	Miscellaneous	100.00
Adaran	Full consolidation method	Montbonnot-Saint-Martin	Commercial	100.00
Michelin Middle East	Full consolidation method	Clermont-Ferrand	Financial	100.00

Companies	Consolidation method	Registered office	Type	% interest
Michelin Europe (EEIG)	Full consolidation method	Clermont-Ferrand	Miscellaneous	99.95
AddUp	Equity method	Cébazat	Manufacturing	50.00
MMM !	Full consolidation method	Paris	Miscellaneous	100.00
1 Pièce Cuisine SAS	Full consolidation method	Paris	Miscellaneous	100.00
Allopneus	Equity method	Aix-en-Provence	Commercial	39.99
Société Internationale de Plantations d'Hévéas	Equity method	Courbevoie	Miscellaneous	44.41
Symbio	Equity method	Fontaine	Miscellaneous	50.00
Taquipneu	Equity method	Montauban	Miscellaneous	22.92
Hympulsion	Equity method	Lyon	Manufacturing & commercial	22.78
Fenner Dunlop SARL	Full consolidation method	Élancourt	Manufacturing & commercial	100.00
Camso France SAS	Full consolidation method	Le Malesherbois	Commercial	100.00
Masternaut SAS	Full consolidation method	Puteaux (Paris)	Commercial	100.00
Masternaut International SAS	Full consolidation method	Louviers	Financial	100.00
Runa	Equity method	Lyon	Miscellaneous	48.99
Resicare	Full consolidation method	Clermont-Ferrand	Manufacturing	100.00
GREECE				
Elastika Michelin Single Member S.A.	Full consolidation method	Halandri	Commercial	100.00
HUNGARY				
Michelin Hungaria Tyre Manufacture Ltd.	Full consolidation method	Nyíregyháza	Manufacturing & commercial	100.00
Ihle Magyarország Kft.	Full consolidation method	Komárom	Commercial	100.00
Camso Manufacturing Hungary Kft.	Full consolidation method	Budapest	Financial	100.00
IRELAND				
Miripro Insurance Company DAC	Full consolidation method	Dublin	Miscellaneous	100.00
Async Technologies Limited	Equity method	Ennis	Miscellaneous	25.00
ITALY				
Società per Azioni Michelin Italiana	Full consolidation method	Turin	Manufacturing & commercial	100.00
Fondazione Michelin Sviluppo	Full consolidation method	Turin	Miscellaneous	100.00
Euromaster Italia S.r.l.	Full consolidation method	Milan	Commercial	100.00
Michelin Travel Partner Italia S.r.l.	Full consolidation method	Milan	Commercial	100.00
MAV S.p.A.	Full consolidation method	Bosentino	Manufacturing & commercial	100.00
Hallite Italia S.r.l.	Full consolidation method	Collesalvetti	Manufacturing & commercial	100.00
Fenner Dunlop Italia S.r.l.	Full consolidation method	Milan	Manufacturing & commercial	100.00
Camso Manufacturing Italy S.r.l.	Full consolidation method	Milan	Manufacturing	100.00
Camso Italy S.p.A.	Full consolidation method	Ozzero	Commercial	100.00
Webraska Italia S.r.l.	Full consolidation method	Milan	Miscellaneous	100.00
LATVIA				
Michelin Riepas SIA	Full consolidation method	Riga	Miscellaneous	100.00
LITHUANIA				
UAB Michelin Padangos	Full consolidation method	Vilnius	Miscellaneous	100.00
LUXEMBOURG				
Michelin Luxembourg SCS	Full consolidation method	Luxembourg	Financial	100.00
Michelin Finance (Luxembourg) S.à.r.l.	Full consolidation method	Luxembourg	Financial	100.00
Camso International S.à.r.l.	Full consolidation method	Luxembourg	Financial	100.00
Camso Holding S.à.r.l.	Full consolidation method	Luxembourg	Financial	100.00
Artic Investments S.A.	Full consolidation method	Luxembourg	Financial	100.00

Companies	Consolidation method	Registered office	Type	% interest
NORWAY				
Norsk Michelin Gummi AS	Full consolidation method	Oslo	Miscellaneous	100.00
Fenner Mandals AS	Full consolidation method	Mandal	Manufacturing & commercial	100.00
THE NETHERLANDS				
Euromaster Bandenservice B.V.	Full consolidation method	Deventer	Commercial	100.00
Michelin Nederland N.V.	Full consolidation method	Drunen	Commercial	100.00
Transityre B.V.	Full consolidation method	Breda	Commercial	100.00
Michelin Distribution B.V.	Full consolidation method	Breda	Commercial	100.00
Actor B.V.	Full consolidation method	Deventer	Commercial	100.00
Euromaster Vastgoed B.V.	Full consolidation method	Deventer	Commercial	100.00
MC Projects B.V.	Equity method	Maastricht	Miscellaneous	50.00
Dunlop Service B.V.	Full consolidation method	Klazienaveen	Manufacturing & commercial	100.00
Fenner Dunlop B.V.	Full consolidation method	Drachten	Manufacturing & commercial	100.00
De Bruin&Berends B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Assets B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Dunlop Enerka Netherlands B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Enerka Netherlands Holding B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Dunlop Manufacturing Holdings B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Service International B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Conveyor Belting International B.V.	Full consolidation method	Drachten	Financial	100.00
Dunlop Sales & Marketing B.V.	Full consolidation method	Klazienaveen	Financial	100.00
Fenner Dunlop Steelcord B.V.	Full consolidation method	Drachten	Financial	100.00
Camso Nederland B.V.	Full consolidation method	Nieuwegein	Commercial	100.00
Masternaut B.V.	Full consolidation method	Breda	Commercial	100.00
POLAND				
Michelin Polska sp. z o.o.	Full consolidation method	Olsztyn	Manufacturing & commercial	100.00
Euromaster Polska sp. z.o.o.	Full consolidation method	Olsztyn	Commercial	100.00
Michelin Development Foundation (Fundacja Rozwoju Michelin)	Full consolidation method	Olsztyn	Miscellaneous	100.00
Dunlop Conveyor Belting Polska sp. z.o.o.	Full consolidation method	Mikołów	Manufacturing & commercial	100.00
Camso Polska S.A.	Full consolidation method	Warsaw	Commercial	100.00
PORTUGAL				
Michelin-Companhia Luso-Pneu, Limitada	Full consolidation method	Lisbon	Miscellaneous	100.00
Euromaster Portugal – Sociedade Unipessoal, LDA	Full consolidation method	Lisbon	Commercial	100.00
CZECH REPUBLIC				
Euromaster Česká republika s.r.o. (Euromaster Ceska republika s.r.o.)	Full consolidation method	Prague	Commercial	100.00
Michelin Česká republika s.r.o. (Michelin Ceska republika s.r.o.)	Full consolidation method	Prague	Miscellaneous	100.00
Ihle Czech, s.r.o.	Full consolidation method	Plzen	Commercial	100.00
ROMANIA				
Michelin Romania S.A.	Full consolidation method	Voluntari	Manufacturing & commercial	99.86
Euromaster Tyre & Services Romania S.A.	Full consolidation method	Voluntari	Commercial	100.00
Ihle Anvelope SRL	Full consolidation method	Pitesti	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
UNITED KINGDOM				
Michelin Tyre Public Limited Company	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
ATS Euromaster Limited	Full consolidation method	Birmingham	Commercial	100.00
Associated Tyre Specialists (Investment) Limited	Full consolidation method	Birmingham	Commercial	100.00
ATS Property and Real Estate Limited	Full consolidation method	Birmingham	Commercial	100.00
Blackcircles.com Limited	Full consolidation method	Edinburgh	Commercial	100.00
Black Circles Holdings Limited	Full consolidation method	Edinburgh	Miscellaneous	100.00
Michelin Finance (U.K.) Limited	Full consolidation method	London	Financial	100.00
Michelin Lifestyle Limited	Full consolidation method	Stoke-on-Trent	Commercial	100.00
Michelin Development Limited	Full consolidation method	Stoke-on-Trent	Miscellaneous	100.00
TFM Holdings Limited	Full consolidation method	Eastleigh	Commercial	100.00
Michelin Travel Partner UK Limited	Full consolidation method	Stoke-on-Trent	Commercial	100.00
Fenner Group Holdings Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner International Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
Hallite Seals International Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
James Dawson & Son Limited	Full consolidation method	Stoke-on-Trent	Manufacturing & commercial	100.00
Dunlop Conveyor Belting Investments Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner N.A. Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Hall & Hall Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. (Advanced Engineering Products) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
J.H. Fenner & Co. (India) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
James Dawson (China) Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner Pension Scheme Trustee Limited	Full consolidation method	Stoke-on-Trent	Miscellaneous	100.00
Fenner International Australia Limited	Full consolidation method	Stoke-on-Trent	Financial	100.00
Fenner Advanced Sealing Investments Limited	Full consolidation method	Hull	Financial	100.00
Fenner Advanced Sealing Technologies Limited	Full consolidation method	Hull	Financial	100.00
Fenner Drives Limited	Full consolidation method	Hull	Financial	100.00
Fenner Dunlop Limited	Full consolidation method	Hull	Financial	100.00
Hallite Limited	Full consolidation method	Hull	Financial	100.00
Hallite Polytek Limited	Full consolidation method	Hull	Financial	100.00
Indico (Europe) Limited	Full consolidation method	Hull	Financial	100.00
J.H. Fenner & Co. (Special Belting) Limited	Full consolidation method	Hull	Financial	100.00
Norwegian Seals UK Limited	Full consolidation method	Hull	Financial	100.00
Turner Belting Limited	Full consolidation method	Hull	Financial	100.00
Vulcanisers International Limited	Full consolidation method	Hull	Financial	100.00
Camso UK Limited	Full consolidation method	Cowbridge	Commercial	100.00
Masternaut Group Holdings Limited	Full consolidation method	Marlow	Financial	100.00
Masternaut Limited	Full consolidation method	Aberford	Commercial	100.00
Masternaut Bidco Limited	Full consolidation method	London	Financial	100.00
Masternaut Holdings Limited	Full consolidation method	Marlow	Commercial	100.00
Masternaut ITS Limited	Full consolidation method	Aberford	Commercial	100.00
Masternaut Risk Solutions Limited	Full consolidation method	Marlow	Commercial	100.00
Old World Limited	Full consolidation method	London	Miscellaneous	100.00
Telefleet Limited	Full consolidation method	London	Miscellaneous	100.00
Easy Sailing Limited	Full consolidation method	Aberford	Miscellaneous	100.00
SERBIA				
Tigar Tyres d.o.o.	Full consolidation method	Pirot	Manufacturing & commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
SLOVAKIA				
Michelin Slovensko, s.r.o.	Full consolidation method	Bratislava	Miscellaneous	100.00
Ihle Slovakia s.r.o.	Full consolidation method	Bratislava	Commercial	100.00
Ihle Slovakia Logistic a Servis s.r.o.	Full consolidation method	Bratislava	Commercial	100.00
SLOVENIA				
Michelin Slovenija, pnevmatike, d.o.o.	Full consolidation method	Ljubljana	Miscellaneous	100.00
Ihle pnevmatike, d.o.o.	Full consolidation method	Maribor	Commercial	100.00
SWEDEN				
Euromaster AB	Full consolidation method	Varberg	Commercial	100.00
Michelin Nordic AB	Full consolidation method	Stockholm	Commercial	100.00
Masternaut AB	Full consolidation method	Stockholm	Commercial	100.00
Scandinavian Enviro Systems AB	Equity method	Gothenburg	Manufacturing & commercial	20.00
SWITZERLAND				
Euromaster (Suisse) S.A.	Full consolidation method	Givisiez	Commercial	100.00
Nitor S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Suisse S.A.	Full consolidation method	Givisiez	Commercial	100.00
Compagnie Financière Michelin Suisse S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Compagnie Financière Michelin S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Recherche et Technique S.A.	Full consolidation method	Granges-Paccot	Miscellaneous	100.00
Michelin Global Mobility S.A.	Full consolidation method	Granges-Paccot	Miscellaneous	100.00
Michelin Mexico Properties Sàrl	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Inter Assistance S.A.	Full consolidation method	Granges-Paccot	Miscellaneous	100.00
Michelin Finanz Gesellschaft für Beteiligungen S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Michelin Invest S.A.	Full consolidation method	Granges-Paccot	Financial	100.00
Ihle Service & Logistik Schweiz AG	Full consolidation method	Bülach	Commercial	100.00
Swissco Project S.A.	Equity method	Neuchâtel	Miscellaneous	20.00
Camso Schweiz AG	Full consolidation method	Schaffhouse	Commercial	100.00
TURKEY				
Michelin Lastikleri Ticaret A.S.	Full consolidation method	Istanbul	Commercial	100.00
Euromaster Lastik Ve Servis Limited Sirketi	Full consolidation method	Istanbul	Commercial	100.00
Camso Lastik Ticaret Limited Sirketi	Full consolidation method	Istanbul	Commercial	100.00
AFRICA/INDIA/MIDDLE EAST				
SOUTH AFRICA				
Michelin Tyre Company South Africa Proprietary Limited	Full consolidation method	Boksburg	Commercial	100.00
Fenner (South Africa) (Pty) Limited	Full consolidation method	Isando	Financial	100.00
Fenner Conveyor Belting (South Africa) (Pty) Limited	Full consolidation method	Isando	Manufacturing & commercial	71.00
ALGERIA				
Société d'Applications Techniques Industrielles	Full consolidation method	Algiers	Commercial	100.00
SAUDI ARABIA				
E.A. Juffali & Brothers for Tyres	Equity method	Jeddah	Commercial	50.00
CAMEROON				
Société Moderne du Pneumatique Camerounais	Full consolidation method	Douala	Commercial	100.00
UNITED ARAB EMIRATES				
Michelin AIM FZE	Full consolidation method	Jafza (Dubai)	Miscellaneous	100.00
Michelin AIM FZCO	Full consolidation method	Dubai	Miscellaneous	100.00
Dunlop Service Middle East, LLC	Full consolidation method	Dubai	Manufacturing & commercial	49.00

Companies	Consolidation method	Registered office	Type	% interest
GHANA				
Dunlop Conveyor Belting Ghana Limited	Full consolidation method	Accra	Manufacturing & commercial	100.00
INDIA				
Michelin India Private Limited	Full consolidation method	Chennai	Manufacturing	100.00
Michelin India Technology Center Private Limited	Full consolidation method	Gurgaon	Miscellaneous	100.00
Fenner Conveyor Belting Private Limited	Full consolidation method	Madurai	Manufacturing & commercial	100.00
Hallite Sealing Solutions India Private Limited	Full consolidation method	Bangalore	Manufacturing & commercial	100.00
Camso India LLP	Full consolidation method	Gurgaon	Commercial	100.00
KENYA				
Tyre Distribution Africa Limited	Equity method	Nairobi	Miscellaneous	49.00
MOROCCO				
Fenner Dunlop Maroc SARL	Full consolidation method	Casablanca	Manufacturing & commercial	100.00
NIGERIA				
Michelin Tyre Services Company Ltd.	Full consolidation method	Lagos	Commercial	95.48
SRI LANKA				
Camso Loadstar (Private) Limited	Full consolidation method	Ja-Ela	Manufacturing	100.00
Camso Trading (Private) Limited	Full consolidation method	Ja-Ela	Commercial	100.00
Camso Global Business Services (Private) Limited	Full consolidation method	Colombo	Financial	100.00
NORTH AMERICA				
CANADA				
Michelin North America (Canada) Inc.	Full consolidation method	Laval	Manufacturing & commercial	100.00
Michelin Retread Technologies (Canada) Inc.	Full consolidation method	New Glasgow	Commercial	100.00
Michelin Development (Canada) Inc.	Full consolidation method	New Glasgow	Miscellaneous	100.00
Oliver Rubber Canada Limited	Full consolidation method	Granton, Nova Scotia	Commercial	100.00
Fenner Dunlop (Bracebridge), Inc.	Full consolidation method	Bracebridge	Manufacturing & commercial	100.00
Hallite Seals (Canada) Ltd	Full consolidation method	Mississauga	Manufacturing & commercial	100.00
Camso Inc.	Full consolidation method	Magog	Financial	100.00
Camso Distribution Canada Inc.	Full consolidation method	Mississauga	Commercial	100.00
Klinge Tire Management Consultants CA Ltd	Full consolidation method	Toronto	Miscellaneous	100.00
UNITED STATES				
Michelin North America, Inc.	Full consolidation method	New York	Manufacturing & commercial	100.00
Michelin Retread Technologies, Inc.	Full consolidation method	Wilmington	Commercial	100.00
CR Funding Corporation	Full consolidation method	Wilmington	Financial	100.00
Michelin Corporation	Full consolidation method	New York	Financial	100.00
Oliver Rubber Company, LLC	Full consolidation method	Wilmington	Manufacturing	100.00
NexTraq, LLC	Full consolidation method	Wilmington	Commercial	100.00
Tire Centers West, LLC	Full consolidation method	Wilmington	Commercial	100.00
Pelham 2 Corp.	Full consolidation method	Wilmington	Financial	100.00
Lehigh Technologies, Inc.	Full consolidation method	Wilmington	Commercial	100.00
ViaMichelin North America, LLC	Full consolidation method	Greenville	Commercial	100.00
TBC Corporation	Equity method	Palm Beach Gardens	Commercial	50.00
T & W Tire, LLC	Equity method	Oklahoma City	Commercial	25.00

Companies	Consolidation method	Registered office	Type	% interest
Snider Tire, Inc.	Equity method	Greensboro	Commercial	31.03
Fenner, Inc.	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner America, Inc.	Full consolidation method	Wilmington	Financial	100.00
Fenner Advanced Sealing Technologies, LLC	Full consolidation method	Wilmington	Financial	100.00
Fenner U.S., Inc.	Full consolidation method	Wilmington	Financial	100.00
American Industrial Plastics, LLC	Full consolidation method	Plantation	Manufacturing & commercial	100.00
CDI Energy Products, LLC	Full consolidation method	Dallas	Manufacturing & commercial	100.00
Hallite Seals Americas, LLC	Full consolidation method	Plymouth	Manufacturing & commercial	100.00
Solesis, Inc.	Full consolidation method	Harrisburg	Financial	100.00
Charter Medical, Limited	Full consolidation method	Raleigh	Manufacturing & commercial	100.00
SanaVita Medical, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
The Secant Group, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner Dunlop Conveyor Systems and Services, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner Dunlop Americas, LLC	Full consolidation method	Harrisburg	Manufacturing & commercial	100.00
Fenner Dunlop (Port Clinton), LLC	Full consolidation method	Columbus	Manufacturing & commercial	100.00
Fenner Dunlop (Toledo), LLC	Full consolidation method	Columbus	Manufacturing & commercial	100.00
Mandals US, LLC	Full consolidation method	Dallas	Manufacturing & commercial	100.00
Camso Holding USA, LLC	Full consolidation method	Wilmington	Financial	100.00
Camso Manufacturing USA, Ltd.	Full consolidation method	Wilmington	Manufacturing	100.00
Camso USA Inc.	Full consolidation method	Tallahassee	Commercial	100.00
Industrial Tire/DFW, LLC	Full consolidation method	Irving	Commercial	67.00
Blacksmith OTR, LLC	Equity method	Rome	Miscellaneous	50.00
Airflash, Inc.	Full consolidation method	Saratoga	Miscellaneous	100.00
Achilles Tires USA, Inc.	Full consolidation method	Los Angeles	Commercial	99.64
The Wine Advocate, Inc.	Full consolidation method	Parkton	Miscellaneous	100.00
Tablet, LLC	Full consolidation method	Wilmington	Miscellaneous	100.00
Klinge Tire Management Consultants, Inc.	Full consolidation method	Carson City	Miscellaneous	100.00
MEXICO				
Michelin Mexico Holding, S.A. de C.V.	Full consolidation method	Querétaro	Financial	100.00
Industrias Michelin, S.A. de C.V.	Full consolidation method	Querétaro	Manufacturing & commercial	100.00
AutopartesInternacionales de Guanajuato León, S.A. de C.V.	Full consolidation method	Ciudad de León	Miscellaneous	100.00
Michelin Sascar Mexico S.A. de C.V.	Full consolidation method	Querétaro	Commercial	100.00
Michelin Mexico Services, S.A. de C.V.	Full consolidation method	Querétaro	Miscellaneous	100.00
AutopartesInternacionales de Queretaro, S.A. de C.V.	Full consolidation method	Querétaro	Manufacturing & commercial	100.00
Camso Distribución México, S.A. de C.V.	Full consolidation method	Tultitlan	Commercial	100.00
PANAMA				
Michelin Panama Corp.	Full consolidation method	Panama	Miscellaneous	100.00

Companies	Consolidation method	Registered office	Type	% interest
SOUTH AMERICA				
ARGENTINA				
Michelin Argentina Sociedad Anónima, Industrial, Comercial y Financiera	Full consolidation method	Buenos Aires	Commercial	100.00
Rodaco Argentina S.A.U.	Full consolidation method	Buenos Aires	Commercial	100.00
BRAZIL				
Sociedade Michelin de Participações, Indústria e Comércio Ltda	Full consolidation method	Rio de Janeiro	Manufacturing & commercial	100.00
Sociedade Tyreplus Brasil Ltda.	Full consolidation method	Rio de Janeiro	Commercial	100.00
Plantações Michelin da Bahia Ltda.	Full consolidation method	Rio de Janeiro	Miscellaneous	100.00
Plantações E. Michelin Ltda.	Full consolidation method	Rio de Janeiro	Miscellaneous	100.00
Sascar Tecnologia e Segurança Automotiva S.A.	Full consolidation method	Barueri	Miscellaneous	100.00
Seva Engenharia Eletrônica S.A.	Full consolidation method	Contagem	Miscellaneous	100.00
CVB Produtos Industriais Ltda.	Full consolidation method	São Paulo	Manufacturing	100.00
Camso Holding Brasil Ltda.	Full consolidation method	São Paulo	Financial	100.00
Camso Indústria de Produtos de Borracha Ltda.	Full consolidation method	Alvorada	Commercial	100.00
CHILE				
Michelin Chile Ltda.	Full consolidation method	Santiago	Commercial	100.00
Conveyor Services S.A.	Full consolidation method	Antofagasta	Manufacturing & commercial	100.00
Fenner International Chile Limitada	Full consolidation method	Las Condes	Financial	100.00
Michelin Specialty Materials Recovery SpA	Full consolidation method	Santiago	Manufacturing & commercial	100.00
COLOMBIA				
Industria Colombiana de Llantas S.A.	Full consolidation method	Bogotá	Commercial	99.96
ECUADOR				
Michelin del Ecuador S.A.	Full consolidation method	Quito	Commercial	100.00
PERU				
Michelin del Perú S.A.	Full consolidation method	Lima	Commercial	100.00
VENEZUELA				
Michelin Venezuela, S.A.	Equity method	Valencia	Commercial	100.00
SOUTH EAST ASIA/AUSTRALIA				
AUSTRALIA				
Michelin Australia Pty Ltd	Full consolidation method	Melbourne	Commercial	100.00
Klinge Holdings Pty Ltd	Full consolidation method	Brisbane	Miscellaneous	100.00
Hallite Seals Australia Pty Limited	Full consolidation method	Wetherill Park	Manufacturing & commercial	100.00
Transeals Pty Limited	Full consolidation method	Welshpool	Financial	100.00
Fenner Dunlop Australia Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Fenner (Pacific) Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Fenner Australia Financing Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Australian Conveyor Engineering Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Agile Maintenance Services Pty Limited	Full consolidation method	West Footscray	Financial	100.00
Fenner Investments Australia Limited Partnership	Full consolidation method	West Footscray	Financial	100.00
BBV Partnership	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Belle Banne Conveyor Services Pty Limited	Full consolidation method	West Footscray	Manufacturing & commercial	100.00
Bearcat Tyres Pty Ltd	Full consolidation method	Girraween	Commercial	100.00

Companies	Consolidation method	Registered office	Type	% interest
INDONESIA				
PT Michelin Indonesia	Full consolidation method	Jakarta	Commercial	100.00
PT Synthetic Rubber Indonesia	Full consolidation method	Jakarta	Manufacturing	55.00
PT Royal Lestari Utama	Equity method	Jakarta	Miscellaneous	49.07
PT Lestari Asri Jaya	Equity method	Jakarta	Miscellaneous	29.80
PT Multi Kusuma Cemerlang	Equity method	Jakarta	Miscellaneous	29.33
PT Wanamukti Wisasa	Equity method	Jakarta	Miscellaneous	23.22
PT Multistrada Arah Sarana Tbk	Full consolidation method	Bekasi	Manufacturing & commercial	99.64
PT Kawasan Industri Multistrada	Full consolidation method	Bekasi	Miscellaneous	99.60
PT Penta Artha Impressi	Equity method	Jakarta	Commercial	19.93
MALAYSIA				
Michelin Malaysia Sdn. Bhd.	Full consolidation method	Petaling Jaya	Commercial	100.00
Michelin Services (S.E.A.) Sdn. Bhd.	Full consolidation method	Petaling Jaya	Miscellaneous	100.00
NEW ZEALAND				
Tyreline Distributors Limited	Equity method	Hamilton	Commercial	25.00
Beau Ideal Limited	Equity method	Te Awamutu	Commercial	25.01
Camso New Zealand Limited	Full consolidation method	Auckland	Commercial	100.00
SINGAPORE				
Michelin Asia (Singapore) Co. Pte. Ltd.	Full consolidation method	Singapore	Commercial	100.00
Michelin Asia-Pacific Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Import (SG) Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Export (SG) Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Michelin Asia-Pacific Import-Export (SG) Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Société des Matières Premières Tropicales Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Wine Advocate Pte. Ltd.	Full consolidation method	Singapore	Miscellaneous	100.00
Fenner Singapore Pte. Ltd.	Full consolidation method	Singapore	Financial	100.00
CDI Energy Products Pte. Ltd.	Full consolidation method	Singapore	Manufacturing & commercial	100.00
THAILAND				
Michelin Siam Company Limited	Full consolidation method	Bangkok	Manufacturing & commercial	100.00
Michelin Experience (E2A) Co., Ltd.	Full consolidation method	Bangkok	Commercial	49.00
Michelin Roh Co., Ltd.	Full consolidation method	Bangkok	Miscellaneous	100.00
NTeq Polymer Co., Ltd.	Equity method	Surat Thani	Miscellaneous	45.00
VIETNAM				
Michelin Vietnam Company Limited	Full consolidation method	Ho Chi Minh City	Commercial	100.00
Camso Vietnam Co., Ltd	Full consolidation method	Tan Uyen	Manufacturing	100.00
CHINA				
CHINA				
Michelin Shenyang Tire Co., Ltd.	Full consolidation method	Shenyang	Manufacturing	100.00
Shanghai Michelin Tire Co., Ltd.	Full consolidation method	Shanghai	Manufacturing	100.00
Michelin Asia (Hong Kong) Limited	Full consolidation method	Hong Kong	Commercial	100.00
Michelin (China) Investment Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
Shanghai Suisheng Information Technology Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
Michelin Tire Research and Development Center (Shanghai) Co., Ltd.	Full consolidation method	Shanghai	Miscellaneous	100.00
Tyre Plus (Shanghai) Auto Accessories Trading Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
Michelin (Shanghai) Aircraft Tires Trading Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
DT Asia Holding Co., Limited	Equity method	Hong Kong	Commercial	40.00

Companies	Consolidation method	Registered office	Type	% interest
Dawson Polymer Products (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Hallite Shanghai Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Dunlop Conveyor Belting (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Shanghai Fenner Conveyor Belting Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	85.00
Fenner Management (Shanghai) Company Limited	Full consolidation method	Shanghai	Manufacturing & commercial	100.00
Camso Rubber Products (Qingdao) Co., Ltd.	Full consolidation method	Qingdao	Manufacturing	100.00
Camso Enterprise Management (China) Co., Ltd.	Full consolidation method	Shanghai	Commercial	100.00
Wine Advocate (HK) Ltd.	Full consolidation method	Hong Kong	Miscellaneous	100.00
TAIWAN				
Michelin Tire Taiwan Co., Ltd.	Full consolidation method	Taipei	Commercial	100.00
EASTERN EUROPE				
RUSSIA				
Michelin Russian Tyre Manufacturing Company LLC	Full consolidation method	Davydovo	Manufacturing & commercial	100.00
Camso CIS LLC	Full consolidation method	Moscow	Commercial	100.00
UKRAINE				
Michelin Ukraine LLC	Full consolidation method	Kiev	Commercial	100.00
JAPAN/KOREA				
JAPAN				
Nihon Michelin Tire Co., Ltd.	Full consolidation method	Tokyo	Commercial	100.00
Camso Japan Co., Ltd.	Full consolidation method	Yokohama	Commercial	100.00
SOUTH KOREA				
Michelin Korea Co., Ltd.	Full consolidation method	Seoul	Commercial	100.00
Camso Taeryuk Ltd.	Full consolidation method	Busan	Financial	100.00

NOTE 37 STATUTORY AUDITORS' FEES

	Deloitte				PricewaterhouseCoopers			
	Statutory Auditor (Deloitte & Associés)		Network		Statutory Auditor (PricewaterhouseCoopers Audit)		Network	
(in € thousands)	Amount	%	Amount	%	Amount	%	Amount	%
STATUTORY AUDIT AND HALF-YEAR REVIEW OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS								
▶ Issuer	481	35%	-	-	530	39%	-	-
▶ Fully consolidated subsidiaries	886	65%	3,657	100%	825	61%	3,516	100%
Sub-total	**1,367**	**100%**	**3,657**	**100%**	**1,355**	**100%**	**3,516**	**100%**
NON-AUDIT SERVICES								
▶ Issuer(1)	100	98%	-	-	214	65%	-	-
▶ Fully consolidated subsidiaries(2)	3	2%	181	100%	114	35%	502	100%
Sub-total	**103**	**100%**	**181**	**100%**	**328**	**100%**	**502**	**100%**
TOTAL	**1,470**		**3,838**		**1,683**		**4,018**	

(1) Corresponding mainly to an independent third-party body engagement by PricewaterhouseCoopers Audit and procedures related to a bond issue performed by Deloitte & Associés and PricewaterhouseCoopers Audit.

(2) Corresponding to procedures performed in connection with acquisitions or planned acquisitions, tax compliance reviews and certifications issued at the request of the audited companies.

5.2.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(For the year ended December 31, 2020)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Compagnie Générale des Etablissements Michelin

23 place des Carmes-Déchaux

63000 Clermont-Ferrand, France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual Shareholders Meeting, we have audited the accompanying consolidated financial statements of Compagnie Générale des Etablissements Michelin for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Code de Commerce and in the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1st 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of long-term non-financial assets

Risk identified

At December 31, 2020, the net value of goodwill, intangible assets, property, plant and equipment and rights of use assets included in non-financial assets amounted to €16,020 million, for total assets on the statement of financial position of €31,637 million. The Group's non-financial assets primarily comprise property, plant and equipment in the amount of €10,821 million, the major portion of which relates to the Group's production sites. The remainder mainly comprises goodwill (€2,136 million) and intangible assets (in particular, trademarks and customer relationships).

For the purpose of impairment testing in accordance with IAS 36, the assets are allocated to cashgenerating units (CGUs) or – in the case of goodwill– to groups of CGUs. Notes 2.6.1 and 3.17 to the consolidated financial statements describe the methods used by the Group to ensure that the net carrying amount of non-current non-financial assets allocated to CGUs does not exceed their recoverable amount.

For the majority of the assets, the recoverable amount is assessed on the basis of the value in use determined from discounted future cash flows, using the forecasts set out in the Group's three-year business plan, extended to a five-year period and taking into account the assumption of a return to the level of 2019 activity from the second half of 2022, in the current context of uncertainty related to the Covid-19 health crisis. For the Distribution CGUs, the recoverable amount is measured based on the fair value of land and buildings, which represent most of their assets, less costs of disposal.

We considered the valuation of non-financial assets to be a key audit matter due to their materiality in the consolidated statement of financial position and because the determination of their recoverable amount requires judgment, notably for the cash flow projections.

How our audit addressed this risk

We performed the following procedures with respect to impairment tests:

- examined the compliance of the method applied by the Group with the provisions of IAS 36 "Impairment of Assets";
- performed a critical assessment of the analyses conducted by the Group to identify the assets carrying a risk of impairment;
- reconciled the value of the assets subject to the impairment tests with the consolidated financial statements to ensure that the CGUs cover all of the Group's assets;
- verified that the future cash flow used are consistent with the forecasts validated by Management;
- assessed the reasonableness of the forecasts with respect to revenue, EBITDA and investments in renewals and the assumption of a return to the level of 2019 activity – which are the main assumptions underlying the cash flow amounts – with the finance managers of the relevant businesses, in particular with respect to past performance and by performing sensitivity analyses on the various inputs;
- assessed the reasonableness of the discount rates and long-term growth rates used to perform the impairment tests, based on comparable market data, with the assistance of our valuation experts;
- verified the appropriateness of the disclosures provided in notes 2.6.1, 3.17, 9.3 and 13.1 to the consolidated financial statements.

Measurement of the employee benefit obligations under defined benefit plans

Risk identified

The Group has set up several post-employment defined benefit plans, mainly pension and health insurance plans and end-of service benefits. A significant portion is comprised of defined benefit plans for which the Group undertakes to pay the agreed benefits to current or retired employees, mainly in North America and in certain European countries (mainly the United Kingdom, Germany and France).

The actuarial value of the Group's cumulative employee benefit obligations amounted to €10,809 million at December 31, 2020. Given that some of these liabilities are covered by dedicated assets (plan assets) with a fair value (after the application of the asset ceiling) of €7,320 million, mainly in North America and the United Kingdom, the net obligation recognized in the consolidated statement of financial position at December 31, 2020 amounted to €3,489 million.

In order to measure the Group's obligations under the defined benefit plans and the expense to be recognized during the period, Management must exercise significant judgment to determine, for each of the relevant countries and plans, the appropriate assumptions to be used, the main ones being the discount and inflation rates and demographic assumptions such as the long-term rate of change in salaries and mortality tables. These elements are described in note 3.24.1.

Changes in any of the key assumptions underlying the measurements can have a material impact on the measurement of the recognized net liability and on the Group's total comprehensive income. Management calls upon external actuaries to assist in determining these assumptions.

We considered the measurement of the employee benefit obligations under defined benefit plans to be a key audit matter given their amounts, the related judgment to determine the main actuarial or demographic assumptions.

How our audit addressed this risk

We made inquiries about the process implemented by Management to measure the Group's obligations under post-employment defined benefit plans for the main plans in North America, the United Kingdom, Germany and France.

With the assistance of our experts, our procedures mainly consisted in:

- assessing the reasonableness of the main assumptions used, in particular the discount and inflation rates, with regard to market conditions;
- assessing the consistency of the assumptions relating to changes in salaries and demographic data (mortality tables, inflation rates for medical costs, etc.) with the details of the plans.

Our other procedures consisted in:

- examining the impact of the main amendments made to certain plans and verifying their correct recognition;
- regarding plan assets, making inquiries about the process implemented by Management to document the existence and measurement of these assets and, using sampling techniques, verifying their existence and the consistency of their measurement with the confirmations from third parties;
- using sampling techniques, confirming that individual data and the actuarial and demographic assumptions used by Management have been correctly transcribed by the external actuaries in their calculation of the Group's benefit obligations;
- verifying the appropriateness of the disclosures provided in notes 9.4 and 27 to the consolidated financial statements.

Risk assessment relating to tax litigation in Germany

Risk identified

The Group carries out its business activities in different and sometimes uncertain legal, tax and regulatory environments. In the ordinary course of business, the tax and social security authorities in the countries in which the Group operates have questions relating to its activities. Such audits can result in tax adjustments or disputes with the relevant local authorities.

The estimated risk relating to each dispute is reviewed regularly by the management team of the relevant subsidiary and at Group level, with the assistance of external counsel for the most material or complex disputes.

As described in note 11 to the consolidated financial statements, the Group is specifically involved in a dispute with the local authorities in Germany, following a tax audit covering the years 2005 to 2009. The resulting tax adjustment, which primarily concerns transfer pricing, has been reduced from €382 million to €96 million on a tax base over the year.

Relying on internal analyses and the advice of its outside counsel, Management does not accept the local authorities' position. The net risk estimated by the Group has been accrued and takes into account the expected reduction in the taxable bases of the Group's entities, counterparties of the German entity in the transactions subject to the tax adjustment.

We considered the risk assessment relating to tax litigation in Germany to be a key audit matter given the potential amounts at stake, the complexity of the related tax regulations and the significant level of judgment required to determine the accounting positions relating to this dispute.

How our audit addressed this risk

With the assistance of our experts, we performed the following procedures:

- conducted interviews with the management team of the relevant German entity and with Group Management to assess the status of the proceedings and to quantify the potential impact on the consolidated financial statements of the adjustments notified or in the process of being notified by the tax authorities and of the disputes underway with the tax authorities;
- consulted the decisions of the local legal and tax authorities as well as the relevant entity's correspondence with those authorities and with their external counsel;
- verified that the accounting treatment of this risk complies with the provisions of IAS 12 and IFRIC 23 "Uncertainty Over Income Tax Treatments".

We also assessed the appropriateness of the disclosures provided in note 11 to the consolidated financial statements on contingent liabilities.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the Managing Chairman's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (code de commerce) is included in the information related to the Group given in the management report, it being specified that, in accordance with the provisions of Article L.823-10 of the code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Other Legal and Regulatory Verifications or Information

Format for the presentation of consolidated financial statements to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of the Managing Chairman, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Compagnie Générale des Etablissements Michelin by the Annual Shareholders Meetings of May 14, 2004 for PricewaterhouseCoopers Audit and May 7, 2010 for Deloitte & Associés.

At December 31, 2020, PricewaterhouseCoopers Audit and Deloitte & Associés were in the seventeenth and eleventh consecutive year of their engagement, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Managing Chairman.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, February 15, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Frédéric Gourd

5.3 FINANCIAL STATEMENTS

5.3.1 REVIEW OF THE FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

Compagnie Générale des Établissements Michelin (CGEM) is the Group's parent company, which directly or indirectly owns all of its subsidiaries and affiliates. Its two main subsidiaries are:

- Manufacture Française des Pneumatiques Michelin (MFPM), a wholly-owned subsidiary that coordinates all of the manufacturing, sales and research operations based in France.
- Compagnie Financière Michelin SA (CFM), a wholly-owned subsidiary that owns most of the Group's manufacturing, sales and research companies outside of France and coordinates their operations.

Services provided by CGEM and CFM to the operating companies are governed by contractual agreements.

They are delivered by MFPM, which bills the operating companies on a cost-plus basis.

Intra-group transactions involve sizeable volumes in such areas as intangible assets, a wide array of services, equipment and facilities, raw materials and semi-finished and finished products. The corresponding fees or prices are set using methods that vary by type of transaction. However, all of the methods are based on the arm's length principle as defined in the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

5.3.1 a) Income statement

CGEM reported net income of €1,010.6 million in 2020, versus €672.1 million in 2019.

5.3.1.1 a) Net operating income

Net operating income amounted to €278.5 million in 2020, compared with €463.1 million in 2019. Due to the health crisis, royalty revenue fell by €236.9 million during the year, while operating expenses fell by €39.3 million to €550.9 million, versus €590.2 million in 2019.

5.3.1.1 b) Net financial income

Net financial income amounted to €729.5 million in 2020, compared with €236.5 million the previous year, reflecting an increase in dividend income.

5.3.1 b) Balance sheet

Equity amounted to €7,946 million at December 31, 2020, versus €7,346 million a year earlier. The net increase corresponded mainly to recognition of the Company's significant net income for the year less payment of the 2019 dividend and profit shares for €367 million.

5.3.2 FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN (PARENT)

Balance sheet

Assets *(in € thousands)*	Note	December 31, 2020 Cost	 Depreciation, amortization & provisions	 Net	December 31, 2019 Net
Intangible assets	5	395,135	(174,340)	220,795	264,385
Property and equipment	6	-	-	-	102
Investments	7	14,108,488	(203,387)	13,905,101	9,941,886
Non-current assets		**14,503,623**	**(377,727)**	**14,125,896**	**10,206,373**
Receivables	8	839,175	-	839,175	861,468
Derivative instruments	9.1	120,345	(67,355)	52,990	113,172
Cash		3,891,516	-	3,891,516	847,984
Prepaid expenses		7,601	-	7,601	76
Current assets		**4,858,637**	**(67,355)**	**4,791,282**	**1,822,700**
Deferred charges and bond call premiums		51,742	(4,562)	47,180	38,277
Conversion losses		1,725	-	1,725	1,701
TOTAL ASSETS		**19,415,727**	**(449,644)**	**18,966,083**	**12,069,051**

Equity and liabilities *(in € thousands)*	Note	December 31, 2020	December 31, 2019
Share capital	10	356,680	357,255
Paid-in capital in excess of par	10	2,745,842	2,789,210
Revaluation reserve	11	624,772	624,772
Other reserves	11	1,283,580	1,283,743
Retained earnings	11	1,862,506	1,557,602
Net income	11	1,010,644	672,105
Untaxed reserves	11	61,598	61,598
Equity		**7,945,622**	**7,346,285**
Convertible bonds	9.1	977,816	1,073,455
Ordinary bonds and other borrowings	9.2	5,879,110	2,764,042
Other financial liabilities	12	3,731,168	422,343
Accrued taxes and payroll costs	12	9,532	29,448
Other liabilities	12	388,835	429,550
Derivative instruments	9.1	30,096	-
Liabilities		**11,016,557**	**4,718,838**
Conversion gains		3,904	3,928
TOTAL EQUITY AND LIABILITIES		**18,966,083**	**12,069,051**

Income statement

(in € thousands)	Note	2020	2019
Royalties	14	797,951	1,034,805
Other revenue		626	509
Exchange gains		30,843	17,993
Revenue		**829,420**	**1,053,307**
External charges	15	(463,564)	(512,577)
Taxes other than on income		(8,268)	(8,924)
Payroll costs		(2,280)	(1,047)
Depreciation and amortization	5	(45,232)	(49,089)
Other expenses		(770)	(717)
Exchange losses		(30,827)	(17,840)
Operating expenses		**(550,941)**	**(590,194)**
NET OPERATING INCOME		**278,479**	**463,113**
Dividends from subsidiaries and affiliates	21	761,032	306,359
Interest income		59,677	51,105
Exchange gains		503	184
Financial income		**821,212**	**357,648**
Amortization and provision expense		(25,906)	(65,770)
Interest expense		(65,663)	(55,345)
Exchange losses		(158)	(1)
Financial expense		**(91,727)**	**(121,116)**
NET FINANCIAL INCOME		**729,485**	**236,532**
INCOME BEFORE NON-RECURRING ITEMS AND TAX		**1,007,964**	**699,645**
Non-recurring income	**6**	**3,087**	**3,063**
Non-recurring expenses	**8**	**(10,180)**	**-**
NET NON-RECURRING INCOME/(EXPENSE)		**(7,093)**	**3,063**
Income tax	16	9,773	(30,603)
NET INCOME		**1,010,644**	**672,105**

NOTES TO THE FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

The Company's financial year covers the 12 months from January 1 to December 31.

The following notes and tables form an integral part of the financial statements.

The financial statements were approved for publication by the Managing Chairman on February 12, 2021 after being reviewed by the Supervisory Board.

Unless otherwise specified, all amounts are presented in thousands of euros.

NOTE 2 SIGNIFICANT EVENTS OF THE YEAR

2.1 The Covid-19 **health crisis** led most governments to impose quarantine measures to limit the spread of the virus. These measures had the effect of severely curtailing global economic activity and individual mobility. From the very first signs of the pandemic, the Company defined two absolute priorities: protecting the health and safety of the Group's employees, and ensuring business continuity.

The main impacts of the health crisis on the Company were as follows:

- Royalty revenue contracted by 23% due to the slowdown in business at Group companies (note 14).
- In its role as holding company, the Company gave a commitment to support certain controlled subsidiaries should the need arise (note 22.3).

2.2 A **dividend** of €761 million was paid in April 2020 by Compagnie Financière Michelin SA.

2.3 A €505 million bank loan obtained in May 2020 was repaid in full in the second half of the year. In October 2020, the Company carried out three **bond issues** for an amount of €1.5 billion and comprising three €500 million tranches with 8, 12 and 20-year maturities respectively (note 9.2).

2.4 Under the **share buyback program** authorized at the May 17, 2019 Annual Shareholders Meeting, an agreement was signed on January 7, 2020 with an investment services provider, under which the Company undertook to buy back a certain number of shares before November 19, 2020 for a maximum amount of €100 million. A total of 1,097,540 shares were bought back under the program at an average price per share of €89.83, representing a total investment of €99 million. All of these shares were canceled on October 20, 2020.

2.5 In September and October 2020, the holders of bonds issued by Michelin Luxembourg SCS in 2015 and 2016 gave their consent for the **transfer of these bonds** to the Company. These bonds amount to €917 million (note 9.2).

2.6 In October 2020, the Company obtained a €2,500 million **syndicated three-year credit line** with two one-year extension options. No drawdowns were made on the facility during the year.

2.7 In November 2020, 713,983 shares were issued in connection with the Michelin Group 2020 **employee share ownership plan** (note 17).

2.8 In December 2020, the Company underwrote a €202 million **share issue** by its subsidiary Spika (note 21).

2.9 Also in December 2020, the Company underwrote a €45 million **share issue** by its subsidiary Michelin Ventures SAS (note 21).

NOTE 3 BASIS OF PREPARATION

The financial statements of Compagnie Générale des Établissements Michelin have been prepared and presented in accordance with French generally accepted accounting principles, including regulation ANC 2016-07 dated November 4, 2016 and the guidance and recommendations issued since that date by the French Accounting Standards Board (ANC). These principles have been applied consistently in all periods presented unless otherwise specified.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Intangible assets

"Brands, patents and other rights" are stated at historical cost. Brands have an indefinite life and are not amortized. Patents and other rights are amortized on a straight-line basis over seven years. If there is any indication that the value of brands, patents or other rights may be impaired, a provision for impairment is recorded. Expenses incurred for the creation and protection of brands are recognized as expenses for the year.

4.2 Investments

4.2.1 Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates are stated at historical cost, except for investments held at the time of the 1976/1978 legal revaluation, which are stated at valuation.

At each annual closing, the value in use of shares in subsidiaries and affiliates is estimated, based on the investee's net assets (stated at valuation if applicable), profitability and outlook, and its value in use for the investor company. Shares in subsidiaries and affiliates are written down in the event of a lasting decline in value in use to below cost.

Investment acquisition costs are recorded as an expense on the transaction date.

4.2.2 Loans and advances to subsidiaries and affiliates

Loans and advances to subsidiaries and affiliates are stated at nominal value and a provision for impairment is recognized to cover any risk of non-recovery.

4.3 Receivables

Accounts receivable are stated at nominal value and a provision for impairment is recognized to cover any risk of non-recovery.

4.4 Paid-in capital in excess of par

This item corresponds to premiums on shares issued for cash or on conversion of bonds, after deducting issuance costs net of tax. When shares are cancelled, the difference between their purchase cost and par value is recorded as a deduction from paid-in capital in excess of par.

4.5 Untaxed reserves

Substantially all untaxed reserves correspond to reinvested capital gains qualifying for rollover relief under the former Article 40 of the French General Tax Code (*Code général des impôts*).

4.6 Conversion of foreign currencies

Revenues and expenses in foreign currencies are converted at the transaction date exchange rate.

Foreign currency receivables and payables are converted at the year-end exchange rate.

In accordance with regulation ANC 2015-05 dated September 1, 2017, separate accounting treatments are applied to commercial transactions in foreign currencies and financial transactions in foreign currencies:

- exchange gains and losses on commercial transactions are included in operating income and expenses;
- exchange gains and losses on financial transactions are included in financial income and expenses.

4.7 Derivative instruments

4.7.1 Currency derivatives at fair value through profit or loss

Forward foreign exchange contracts that are outstanding at the balance sheet date are marked to market in the balance sheet.

4.7.2 Currency derivatives qualifying for hedge accounting

Losses and gains arising from remeasurement at fair value of currency derivatives qualified as hedges are recorded in the balance sheet under conversion losses or conversion gains, to offset the gain or loss on the hedged item.

4.7.3 Options on treasury stock qualifying for hedge accounting

The Company has purchased cash-settled call options to hedge its economic exposure to the potential exercise of the conversion rights embedded in non-dilutive cash-settled convertible bonds.

Pursuant to regulation ANC 2015-05, Article 628-12, the premium on the purchased options was initially recorded in the balance sheet and is being amortized through financial expense over the hedging period (five years).

4.8 Income taxes

Income tax in the income statement includes current taxes due by the tax group and tax credits.

4.9 Other financial liabilities

Other financial liabilities are stated at their nominal value.

Debt issuance costs are recorded in deferred charges.

NOTE 5 INTANGIBLE ASSETS

(in € thousands)	December 31, 2019	Additions/increases	Disposals/decreases	December 31, 2020
Brands, licenses and other rights	421,325	-	(26,190)	395,135
Other intangible assets	61	-	(61)	-
Total cost	**421,386**	**-**	**(26 251)**	**395,135**
Brands, licenses and other rights	(156,940)	(43,590)	26,190	(174,340)
Other intangible assets	(61)	-	61	-
Amortization	**(157,001)**	**(43,590)**	**26,251**	**(174,340)**
TOTAL	**264,385**	**(43,590)**	**-**	**220,795**

NOTE 6 PROPERTY AND EQUIPMENT

(in € thousands)	December 31, 2019	Additions/increases	Disposals/decreases	December 31, 2020
Land	102	-	(102)	-
Buildings	1,837	-	(1,837)	-
Other	346	-	(346)	-
Total cost	**2,285**	**-**	**(2,285)**	**-**
Buildings	(1,837)	-	1,837	-
Other	(346)	-	346	-
Depreciation	**(2,183)**	**-**	**2,183**	**-**
TOTAL	**102**	**-**	**(102)**	**-**

At December 31, 2020, the Company had no items of property and equipment following the sale of its building located in Clermont-Ferrand. The proceeds from the sale amounted to €3 million.

NOTE 7 INVESTMENTS

(in € thousands)	December 31, 2019	Additions/increases	Disposals/ decreases	December 31, 2020
Shares in subsidiaries and affiliates (note 21)	8,881,332	251,947	-	9,133,279
Loans and advances to subsidiaries and affiliates (note 8)	1,006,556	4,187,426	(364,541)	4,829,441
Loans (note 8)	254,128	141,582	(253,048)	142,662
Other equity interests	3,002	98,884	(98,884)	3,106
Total cost	**10,145,018**	**4,679,839**	**(716,473)**	**14,108,488**
Shares in subsidiaries and affiliates (note 21)	(202,062)	-	-	(202,062)
Loans (note 8)	(1,070)	(255)	-	(1,325)
Impairment	**(203,132)**	**(255)**	**-**	**(203,387)**
TOTAL	**9,941,886**	**4,679,584**	**(716,473)**	**13,905,101**

The increase in the carrying amount of shares in subsidiaries and affiliates reflects the share issues by Spika and Michelin Ventures SAS that were underwritten by the Company, mentioned in notes 2.8 and 2.9.

Changes in other equity interests correspond mainly to the buyback and cancellation of treasury shares. See note 2.4 for details.

NOTE 8 MATURITIES OF LOANS AND RECEIVABLES

(in € thousands)	Due within one year	Due in more than one year	Cost	Impairment	Net
NON-CURRENT ASSETS (NOTE 7)					
Loans and advances to subsidiaries and affiliates	3,167,481	1,661,960	4,829,441	-	4,829,441
Loans	362	142,300	142,662	(1,325)	141,337
CURRENT ASSETS					
Receivables	839,175	-	839,175	-	839,175
TOTAL	**4,007,018**	**1,804,260**	**5,811,278**	**(1,325)**	**5,809,953**

During the year, the Company granted a debt waiver to an indirect subsidiary in an amount of €10,180 thousand. This debt waiver was recorded in non-recurring expenses.

NOTE 9 BONDS

9.1 Convertible bonds

(in € thousands)	December 31, 2020	December 31, 2019
CONVERTIBLE BONDS (NOTE 12)		
2017-2022 convertible bond issue	489,336	537,477
2018-2023 convertible bond issue	488,480	535,978
TOTAL	**977,816**	**1,073,455**

USD 600 million 2017-2022 non-dilutive cash-settled convertible zero-coupon bonds.

USD 600 million 2018-2023 non-dilutive cash-settled convertible zero-coupon bonds.

(in € thousands)	Cost	Amortization	Net
DERIVATIVE INSTRUMENTS (ASSETS)			
Conversion risk hedges (options) – 2017-2022 bonds	52,925	(41,612)	11,313
Conversion risk hedges (options) – 2018-2023 bonds	42,905	(25,743)	17,162
Forward foreign exchange contracts – 2018-2023 bonds	22,748	-	22,748
Forward foreign exchange contracts – Other	1,767	-	1,767
TOTAL	**120,345**	**(67,355)**	**52,990**

(in € thousands)	Cost	Net
DERIVATIVE INSTRUMENTS (LIABILITIES)		
Forward foreign exchange contracts - 2017-2022 bonds	30,096	30,096
TOTAL	**30,096**	**30,096**

9.2 Ordinary bonds and other borrowings

(in € thousands)	Annual interest	December 31, 2020	December 31, 2019
ORDINARY BONDS AND OTHER BORROWINGS (NOTE 12)			
2018-2025 bond issue	0.875%	750,000	750,000
2018-2030 bond issue	1.750%	1,000,000	1,000,000
2018-2038 bond issue	2.500%	750,000	750,000
2015-2022 bond issue	1.125%	300,000	-
2015-2027 bond issue	1.750%	300,000	-
2015/16-2045 bond issue	3.250%	317,451	-
2020-2028 bond issue	0.000%	500,000	-
2020-2032 bond issue	0.250%	500,000	-
2020-2040 bond issue	0.625%	500,000	-
Accrued interest on ordinary bonds and other borrowings		22,452	14,042
Negotiable European Commercial Paper (NEU CP)		898,500	250,000
US Commercial Paper (US CP)		40,707	-
TOTAL		**5,879,110**	**2,764,042**

See note 2.3 for information about new loans obtained in 2020.

The following bond issues were taken over from Michelin Luxembourg SCS (note 2.5):

- 2015-2022 bonds, nominal amount €300 million
- 2015-2027 bonds, nominal amount €300 million
- 2015/16-2045 bonds, nominal amounts of €209 million, €93 million and €15 million.

The Negotiable European Commercial Paper program totals €2.5 billion, and the US Commercial Paper program amounts to USD 700 million.

NOTE 10 SHARE CAPITAL AND PAID-IN CAPITAL IN EXCESS OF PAR

Share capital and paid-in capital in excess of par break down as follows:

(in € thousands)	Share capital	Share premiums	Total
At January 1, 2020: 178,627,555 shares	**357,255**	**2,789,210**	**3,146,465**
Issuance of 13,786 shares (note 17) on exercise of stock options	27	866	893
Cancellation of 1,097,540 shares (note 2.4) acquired under the buyback program	(2,195)	(96,690)	(98,885)
Issuance of 713,983 shares (note 17) Employee share issues	1,428	52,417	53,845
Issuance of 81,518 shares (note 17) in exchange for vested performance share rights	163	-	163
Issuance of 784 shares (note 17) on exercise of stock options	2	39	41
AT DECEMBER 31, 2020: 178,340,086 SHARES	**356,680**	**2,745,842**	**3,102,522**

The shares have a par value of €2.

All outstanding shares are registered and fully paid.

NOTE 11 OTHER EQUITY

(in € thousands)	Revaluation reserve	Other reserves	Retained earnings	Net income	Untaxed reserves	Total
At January 1, 2020	**624,772**	**1,283,743**	**1,557,602**	**672,105**	**61,598**	**4,199,820**
Appropriation of 2019 net income	-	-	304,470	(672,105)	-	(367,635)
Dividends on treasury stock	-	-	434	-	-	434
Deduction for performance share issuance	-	(163)	-	-	-	(163)
2020 net income	-	-	-	1,010,644	-	1,010,644
AT DECEMBER 31, 2020	**624,772**	**1,283,580**	**1,862,506**	**1,010,644**	**61,598**	**4,843,100**
The revaluation reserve concerns:						
▶ Land	32					
▶ Shares in subsidiaries and affiliates	624,740					
Other reserves break down as follows:						
▶ Legal reserve, including €26,943 thousand corresponding to long-term capital gains		37,158				
▶ Special long-term capital gains reserve		881,256				
▶ Other reserves		365,166				

At the 2020 Annual Shareholders Meeting, shareholders approved the payment of a dividend of €2.00 per share, representing a total payout of €357 million after deducting the €10 million share of profits attributed to the General Partners in accordance with the Bylaws.

NOTE 12 MATURITIES OF PAYABLES AND LONG- AND SHORT-TERM DEBT

(in € thousands)	Total	Due within one year	Due in one to five years	Due in more than five years
Convertible bonds (note 9.1)	977,816	-	977,816	-
Ordinary bonds and other borrowings (note 9.2)	5,879,110	961,659	1,050,000	3,867,451
Other financial liabilities	3,731,168	3,731,168	-	-
Accrued taxes and payroll costs	9,532	9,250	282	-
Other liabilities	388,835	388,835	-	-
TOTAL	**10,986,461**	**5,090,912**	**2,028,098**	**3,867,451**

NOTE 13 RELATED PARTIES

13.1 Related-party assets and liabilities

(in € thousands)	Note	Related parties	Third parties	Total in the balance sheet (net book value)
Shares in subsidiaries and affiliates	7	8,931,217	-	8,931,217
Loans and advances to subsidiaries and affiliates	7	4,829,441	-	4,829,441
Loans	7	141,337	-	141,337
Other equity interests	7	3,106	-	3,106
Receivables	8	575,473	263,702	839,175
Other financial liabilities	12	3,731,168	-	3,731,168
Other liabilities	12	383,566	5,270	388,835

13.2 Related-party transactions

There are no related-party transactions not entered into on arm's length terms.

NOTE 14 REVENUE

Revenue consists entirely of royalties received from related companies, as follows:

(in € thousands)	2020	2019
Companies in France	45,610	70,140
Companies outside France	752,341	964,665
TOTAL	**797,951**	**1,034,805**

Royalties received in 2019 include a €56 million adjustment to the amounts receivable in respect of 2018.

NOTE 15 EXTERNAL CHARGES

(in € thousands)	2020	2019
Outsourcing expenses	(139,300)	(191,379)
Research and development expenses	(278,325)	(297,065)
Miscellaneous	(45,939)	(24,133)
TOTAL	**(463,564)**	**(512,577)**

NOTE 16 INCOME TAX

Compagnie Générale des Établissements Michelin is the parent company of a tax group that also comprises 17 French subsidiaries that are at least 95%-owned directly or indirectly.

Under the terms of the group relief agreement, each subsidiary in the tax group continues to record the income tax expense that it would have paid if it had been taxed on a stand-alone basis and any group relief is recorded at the level of Compagnie Générale des Établissements Michelin.

The income tax that would be payable by the 17 subsidiaries if they were taxed on a stand-alone basis amounted to €5.6 million for 2020, before taking into account tax credits of €39.4 million.

Income tax recognized in the CGEM financial statements corresponds to current taxes.

(in € thousands)	2020	2019
Current tax due from CGEM alone	(28,395)	(47,068)
Group relief	30,071	9,156
Other	8,097	7,309
TOTAL	**9,773**	**(30,603)**

NOTE 17 SHARE-BASED PAYMENTS

Employee stock option plans

Changes in the number of options granted under stock option plans and their weighted average exercise price are as follows:

	2020		2019	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**56.23**	**37,185**	**56.87**	**111,409**
Granted	-	-	-	-
Forfeited	51.16	(27)	52.05	(10,046)
Exercised	64.09	(14,570)	58.00	(64,178)
AT DECEMBER 31	**51.16**	**22,588**	**56.23**	**37,185**

22,588 of the 22,588 options outstanding as at December 31, 2020 are exercisable (2019: 37,185 exercisable out of a total of 37,185).

Stock option plans have the following exercise prices and expiration dates:

			December 31, 2020		December 31, 2019	
Grant date	Vesting date	Expiration date	Exercise price *(in € per option)*	Number of stock options outstanding	Exercise price *(in € per option)*	Number of stock options outstanding
May 2011	May 2015	May 2020	66.00	-	66.00	12,696
June 2012	June 2016	June 2021	51.16	22,588	51.16	24,489
NUMBER OF OPTIONS OUTSTANDING				**22,588**		**37,185**

Share grants and performance share plans

Changes in the number of share grants and performance share rights are as follows:

	2020	2019
	Number of share grants or performance share rights outstanding	Number of share grants or performance share rights outstanding
At January 1	**870,805**	**623,239**
Granted	588,960	377,292
Forfeited	(104,907)	(68,160)
Shares delivered	(81,518)	(61,566)
AT DECEMBER 31	**1,273,340**	**870,805**

Excellence Plan

In November 2020, 506,236 rights to performance shares were granted to Group employees and the Managers. The rights are subject to a vesting period of four years ending in November 2024 without any lock-up period. The shares will vest at the end of this period if the performance objectives have been met (stock market performance, environmental performance of manufacturing operations, employee engagement rate, sales growth and ROCE).

France Plan

In November 2020, following the granting of performance share rights to the Managers under the Excellence Plan, 82,724 shares were granted to employees of the Group's French companies to comply with legal requirements. The rights are subject to a two-year vesting period ending in November 2022 without any lock-up period. The shares are not subject to any performance conditions and will vest automatically at the end of the two-year period provided that the grantee is still employed by the Group.

The share grants and performance share plans have the following characteristics:

Grant date	Vesting date		Lock-up period		December 31, 2020	December 31, 2019
					Number of share grants or performance share rights outstanding	Number of share grants or performance share rights outstanding
	France	Other countries	France	Other countries		
2016	2020	2020	None	None	-	81,518
2017	2021	2021	None	None	182,751	283,965
2018	2022	2022	None	None	127,480	128,030
2019	2023	2023	None	None	374,369	377,292
2020	2024	2024	None	None	506,236	-
2020	2022	N/A	None	N/A	82,504	-
NUMBER OF SHARE GRANTS OR PERFORMANCE SHARE RIGHTS OUTSTANDING					**1,273,340**	**870,805**

Employee share ownership plans

In 2020, the Group launched a share offer for all its employees located in countries where the legal and tax requirements were met. This share ownership plan (Bib'Action), carried out under the Company savings plan (*Plan d'Épargne Groupe*), is a standard plan allowing employees to invest in Michelin shares at a discounted price. The shares acquired by the employees participating in the plan cannot be sold or transferred during a five-year period.

The purchase price was set at €76.37 per share, representing a 20% discount on the reference price of €95.46 corresponding to the average of the opening prices for Michelin shares over the 20 trading days preceding the pricing date. The employee's purchase was supplemented by a company contribution, increasing the number of shares received, capped at four shares out of the first four purchased by the employee.

713,983 shares were purchased during this share offer. The main features of the plan and the assumptions used to determine the final cost were as follows:

Maturity of the plan	5 years
Number of shares purchased	713,983
Reference price *(in €)*	95.46
Purchase price for employees *(in €)*	76.37

No new employee share issue was carried out in 2019.

NOTE 18 MARKET RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS

18.1 Interest rate risk

The Company does not hold any interest rate instruments.

18.2 Currency risk

At December 31, 2020, the Company had receivables corresponding to royalties with a net book value of €280 million. These receivables have been converted into euros at the year-end exchange rate. The policy is to hedge currency risk through forward foreign currency contracts. The forwards are measured at fair value through profit or loss.

The Company holds convertible bonds denominated in US dollars (note 9.1). The related currency risk is fully hedged by means of forward purchases of foreign currency with the same maturity as the bonds. Currency derivatives qualify for hedge accounting.

18.3 Equity risk

The Company holds shares in subsidiaries and affiliates and other equity interests that are measured at value in use.

The Company is exposed to the risk of a change in value of its own shares, in connection with its non-dilutive cash-settled convertible bond issues. This risk has been fully hedged through the purchase of options (note 9.1).

NOTE 19 MANAGEMENT COMPENSATION

As per its Bylaws, the Company is administered by one or several Managers.

Manager(s) who are General Partners are entitled to a share of the income distributed among all the General Partners in accordance with the provisions of the Bylaws.

Manager(s) who are not General Partners are paid fixed and variable compensation and may also receive a long-term incentive (LTI) bonus.

In a spirit of solidarity with the community of Michelin employees in last year's environment shaped by the Covid-19 crisis, the Managing Chairman and the General Manager forfeited part of the compensation due to them for 2020.

The statutory share of 2019 profit allocated in 2020 to Florent Menegaux, Managing General Partner since May 18, 2018 and Managing Chairman since May 17, 2019, amounted to €1,008 thousand (2019 for 2018: €668 thousand).

The statutory share of 2019 profit allocated in 2020 to Jean-Dominique Senard, Managing General Partner and Managing Chairman until May 17, 2019, amounted to €1.7 million (2019 for 2018: €3 million).

The total compensation (fixed compensation and 2019 variable compensation payable in 2020) paid by the Company to Yves Chapot, General Manager, amounted to €1,216 thousand (including payroll taxes) in 2020 (2019 for 2018: €1,147 thousand). In addition, a €913 thousand accrual (including payroll taxes) was recorded at December 31, 2020 to cover his 2020 bonus payable in 2021 and his conditional entitlement to a long-term incentive bonus payable in 2021 and 2022 after the Annual Shareholders Meetings. Benefits in kind amounted to €20 thousand.

NOTE 20 FEES PAID TO THE STATUTORY AUDITORS

(in € thousands)	**Deloitte & Associés**	**PricewaterhouseCoopers Audit**
Audit services	481	530
Non-audit services[1]	100	214

(1) Corresponding mainly to an independent third-party body engagement by PricewaterhouseCoopers Audit and procedures related to a bond issue performed by Deloitte & Associés and PricewaterhouseCoopers Audit.

NOTE 21 LIST OF SUBSIDIARIES AND AFFILIATES

(in € thousands unless otherwise specified)	Share capital(1)(2)	Other equity excl. income(1)(2)	% interest	Book value of shares – Cost	Book value of shares – Net	Outstanding loans and advances	Last published revenue(1)(2)	Last published profit/ (loss)(1)(2)	Dividends received during the year
A. SUBSIDIARIES (OVER 50%-OWNED)									
Camso Inc. Magog (Canada)	351,000 *(USD)*	(5,029)(USD)	100.0%	307,702	307,702	-	28,342 *(USD)*	984 *(USD)*	-
Camso International S.à.r.l. Luxembourg (Luxembourg)	33,700 *(USD)*	91,027 *(USD)*	100.0%	223,620	223,620	-	3,875 *(USD)*	(2,249) *(USD)*	-
Camso Vietnam Co., Ltd Tan Uyen (Vietnam)	29,000 *(USD)*	(9,072) *(USD)*	100.0%	26,898	26,898	-	28,047 *(USD)*	1,194 *(USD)*	-
Compagnie Financière Michelin SA Granges-Paccot (Switzerland)	2,502,355 *(CHF)*	9,522,720 *(CHF)*	100.0%	4,325,679	4,325,679	3,888,154	-	816,510 *(CHF)*	760,929
Fenner Group Holdings Limited Stoke-on-Trent (United Kingdom)	48,751 *(GBP)*	145,851 *(GBP)*	100.0%	1,365,554	1,365,554	-	-	12,140 *(GBP)*	-
Masternaut Bidco Limited London (United Kingdom)	85,236	73,567	100.0%	85,975	85,975	-	-	(47,438)	-
Rodaco Argentina S.A.U. Buenos Aires (Argentina)	170,873 *(ARS)*	57,725 *(ARS)*	100.0%	4,104	4,104	-	278,267 *(ARS)*	(52,754) *(ARS)*	-
Spika Clermont-Ferrand (France)	275,000	31	100.0%	655,915	453,944	180,045	-	(9,359)	-
Michelin Ventures SAS Clermont-Ferrand (France)	25	(5)	100.0%	45,025	45,025	15,006	-	(537)	-
Manufacture Française des Pneumatiques Michelin Clermont-Ferrand (France)	504,000	1,241,072	100.0%	1,614,309	1,614,309	746,236	5,366,674	(4,143)	-
PT Multistrada Arah Sarana Tbk Bekasi (Indonesia)	137,343 *(USD)*	70,139 *(USD)*(3)	99.64%	478,370	478,370	-	318,263 *(USD)*(3)	(12,094) *(USD)*(3)	-
B. OTHER SUBSIDIARIES AND AFFILIATES									
1. Subsidiaries not listed under A									
▶ Foreign companies	-	-		128	37	-	-	-	-
2. Affiliates not listed under A									
▶ French companies	-	-		3,106	3,106	-	-	-	103
TOTAL SHARES IN SUBSIDIARIES AND AFFILIATES AND OTHER EQUITY INTERESTS				**9,136,385**	**8,934,323**	**4,829,441**			**761,032**

(1) *In thousands of local currency units.*
(2) *Most recent fiscal year.*
(3) *Last published consolidated financial statements.*

Guarantees given by the Company to subsidiaries and affiliates: please refer to note 22.3.

NOTE 22 FINANCIAL COMMITMENTS

22.1 Lines of credit

(in € thousands)	2020	2019
Lines of credit granted by the Company to related companies	1,212,000	641,300
Drawdowns	(496,000)	(476,050)
AVAILABLE AT DECEMBER 31	**716,000**	**165,250**

These lines of credit expire in 2021 (€445 million), 2022 (€18 million) and 2023 (€33 million).

22.2 Forward currency exchange contracts

At December 31, 2020, the value in euros of the forward foreign exchange contracts was as follows:

- currency to be received: €1,133 million;
- currency to be delivered: €1,096 million.

22.3 Guarantees

- The Company has issued a guarantee to the Fenner Pension Scheme Trustee Limited covering the future pension contributions to be paid by its subsidiary Fenner Group Holdings Limited. The contingent liability amounted to €10 million at December 31, 2020.
- In its role as holding company, CGEM may give a commitment to support certain controlled subsidiaries should the need arise.

5.3.3 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended December 31, 2020)

This is a free translation into English of the Statutory Auditors' report issued in French and it is provided solely for the convenience of English speaking users. This Statutory Auditors' report includes information required by French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Compagnie Générale des Etablissements Michelin

23 place des Carmes-Déchaux

63000 Clermont Ferrand, France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual Shareholders Meeting, we have audited the accompanying financial statements of Compagnie Générale des Etablissements Michelin for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French *Code de commerce* and in the French Code of Ethics *(code de déontologie*) for Statutory Auditors, for the period from January 1st, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, approved in the conditions mentioned above, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of shares in subsidiaries and affiliates

Risk identified

At December 31, 2020, the carrying amount of shares in subsidiaries and affiliates was €8,931 million, representing 47% of total assets on the balance sheet. The securities are recognized at historical cost, increased by the impact of value adjustments made in accordance with the law where applicable.

At the end of each reporting year, the Company estimates the value in use of shares in subsidiaries and affiliates. This value in use is based either on the net assets (adjusted if necessary) or on the profitability and outlook of the investee as well as its usefulness for the investor company. In the event of a lasting decline in value in use to below the carrying amount, an impairment loss is recognized.

To estimate the value in use of the securities, Management exercises judgment when choosing the items to be taken into consideration, depending on the relevant subsidiary or affiliate.

Accordingly, we deemed the measurement of the value in use of shares in subsidiaries and affiliates to be a key audit matter due to the materiality of these assets in the balance sheet, the degree of judgment required by Management and the uncertainties inherent in determining the cash flow assumptions particularly as regards the probability of achieving the forecasts used by Management in the context of the Covid-19 health crisis.

Note 4.2.1 to the annual financial statements describes the methods used to measure shares in subsidiaries and affiliates.

How our audit addressed this risk

Concerning shares with a material value or which carry a specific risk of impairment, our audit work consisted in:

- for valuations based on historical data: verifying that the net asset figures used are consistent with the relevant entities' annual financial statements and that any adjustments made were based on probative documentation;
- for valuations based on forecast data: obtaining the cash flow from operations projections prepared by Management for the relevant entities' operations and assessing the consistency of the assumptions with business trends (mainly net sales, margin rates and general expenses) in the context of the Covid-19 health crisis.

Our work also consisted in assessing, with the help of our financial valuation experts, the reasonableness of the perpetual growth rates and discount rates used by Management.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the annual financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report prepared by the Managing Chairman and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code *(code de commerce)*.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Article L. 225-37-4, L.22-10-9 and L. 22-10-10 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (C*ode de commerce*) relating to remunerations and benefits received by or awarded to the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled enterprises included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code *(code de commerce)*, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other Information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Other Legal and Regulatory Verifications or Information

Format for the presentation of financial statements to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the Statutory Auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (C*ode monétaire et financier*), prepared under the responsibility of the Managing Chairman, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Compagnie Générale des Etablissements Michelin by the Annual Shareholders Meeting of May 14, 2004 for PricewaterhouseCoopers Audit and May 7, 2010 for Deloitte & Associés.

At December 31, 2020, PricewaterhouseCoopers Audit and Deloitte & Associés were in the seventeenth and eleventh consecutive year of their engagement, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Managing Chairman.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit

and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, February 15, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Frédéric Gourd

5.3.4 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

Annual Shareholders Meeting for the approval of the financial statements for the year ended December 31, 2020

This is a free translation into English of the Statutory Auditors' special report on related-party agreements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Compagnie Générale des Etablissements Michelin

23 place des Carmes-Déchaux

63000 Clermont-Ferrand, France

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 226-2 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 226-2 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the Annual Shareholders Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements.

Agreements to be submitted for the approval of the annual shareholders meeting

We were not informed of any agreement authorized and entered into during the year to be submitted for the approval of the Annual General Meeting pursuant to the provisions of Article L. 226-10 of the French Commercial Code.

Agreements already approved by the annual shareholders meeting

We were not informed of any agreement that had already been approved by the Annual Shareholders Meeting which remained in force during the year.

Neuilly-sur-Seine and Paris-La Défense, February 15, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit
Jean-Christophe Georghiou

Deloitte & Associés
Frédéric Gourd

5.3.5 STATEMENT OF CHANGES IN EQUITY

(in € thousands and € per share)	2020	2019
NET INCOME		
Accounting profit		
Total: Net income/(loss)	1,010,644	672,105
Per share: Net income/(loss)	5.67	3.76
RECOMMENDED TOTAL DIVIDEND PAYOUT	**410,182[1]**	**357,255**
Recommended dividend per share	2.30[1]	2.00

STATEMENT OF CHANGES IN EQUITY

(in € thousands)	2020	2019
A) 1. Equity at prior year-end before dividends	**7,346,285**	**7,486,352**
2. Dividend approved by the Annual Shareholders Meeting	(367,635)	(675,394)
B) Equity at January 1, 2020 after dividends	**6,978,650**	**6,810,958**
C) Movements for the year:		
1. Change in capital	(575)	(2,440)
2. Increase in paid-in capital in excess of par	(43,368)	(134,262)
3. Change in reserves and retained earnings[2]	271	(76)
4. Net income	1,010,644	672,105
D) Equity at December 31, 2020 before dividends	**7,945,622**	**7,346,285**
E) TOTAL CHANGES IN EQUITY DURING THE YEAR	**966,972**	**535,327**
F) of which changes due to changes in Group structure	0	0
G) TOTAL CHANGES IN EQUITY DURING THE YEAR EXCLUDING CHANGES IN GROUP STRUCTURE	**966,972**	**535,327**
Notes:		
C3 Dividends on treasury shares credited to retained earnings	434	47

(1) Subject to approval by shareholders at the Annual Meeting on May 21, 2021.
(2) Excluding appropriation of 2019 net income.

5.3.6 APPROPRIATION OF 2020 NET INCOME

(in € thousands)		
AMOUNT TO BE APPROPRIATED		
Retained earnings brought forward from prior year		1,862,506
Net income		1,010,644
RECOMMENDED APPROPRIATIONS		
Dividend	410,182[1]	
Statutory share of income attributed to the General Partners	3,753	
Retained earnings	2,459,215	
AVAILABLE AT DECEMBER 31	**2,873,150**	**2,873,150**

(1) Subject to approval by shareholders at the Annual Meeting on May 21, 2021.

5.3.7 FIVE-YEAR FINANCIAL SUMMARY

(in € thousands and in € per share, unless otherwise specified)	2016	2017	2018	2019	2020
I. CAPITAL AT DECEMBER 31					
a) Share capital	360,132	359,042	359,695	357,255	356,680
b) Number of common shares outstanding	180,066,121	179,520,987	179,847,632	178,627,555	178,340,086
II. RESULTS OF OPERATIONS					
a) Net revenue	537,617	681,188	895,113	1,034,805	797,951
b) Earnings before tax, depreciation, amortization and provisions (EBTDA)	1,430,254	1,058,933	1,028,453	817,567	1,072,009
c) Income tax	24,284	(16,054)	47,930	30,603	(9,773)
d) Net income	1,415,894	1,029,300	813,150	672,105	1,010,644
III. PER-SHARE DATA					
a) Earnings per share after tax, before depreciation, amortization and provision expenses (EBDA)	7.80	5.99	5.45	4.41	6.07
b) Basic earnings per share	7.86	5.73	4.52	3.76	5.67
c) Dividend per share	3.25	3.55	3.70	2.00	2.30(1)
IV. EMPLOYEE DATA					
a) Average number of employees	0	0	0	0	1
b) Total payroll	34	28	877	1,123	2,280
c) Total benefits	(4)	95	369	(76)	645

(1) Subject to approval by shareholders at the Annual Meeting on May 21, 2021.

5.4 ADDITIONAL INFORMATION

5.4.1 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Person responsible for the Universal Registration Document and the Annual Financial Report

Florent Menegaux, Managing Chairman

Statement by the person responsible for the Universal Registration Document and the Annual Financial Report

I hereby declare that the information contained in the Universal Registration Document is in accordance with the facts and no information has been omitted that would be likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation, and that the information included in this Universal Registration Document within the Report of the Managers and listed in the table of concordance in section 8.4 of this Universal Registration Document gives a true and fair view of the business, profit and financial position of the Company and the undertakings included in the consolidation, as well as a description of the main risks and uncertainties they face.

Clermont-Ferrand, April 9, 2021.

Florent Menegaux,

Managing Chairman

5.4.2 STATUTORY AUDITORS

5.4.2 a) Statutory Auditors

Under French law, the accounts of listed companies are required to be audited by two independent Statutory Auditors. The purpose of this requirement is to provide assurance that the financial statements have been properly prepared and comply with the true and fair view principle.

The Statutory Auditors are appointed by the Annual Shareholders Meeting for a six-year term, based on a recommendation made by the Supervisory Board following a selection process overseen by the Audit Committee. They may be re-appointed for successive terms. They test the fairness of financial statements and carry out all of the statutory audit work required by law. Michelin does not ask them to perform any other engagements that might impair their independence.

The Statutory Auditors of Compagnie Générale des Établissements Michelin, Michelin's holding Company are:

PricewaterhouseCoopers Audit

Registered member of the *Compagnie régionale des Commissaires aux Comptes de Versailles*

63, rue de Villiers

92208 Neuilly-sur-Seine

Represented by Jean-Christophe Georghiou, Partner

Substitute Statutory Auditor, Jean-Baptiste Deschryver, Partner, PricewaterhouseCoopers Audit

Deloitte & Associés

Registered member of the *Compagnie régionale des Commissaires aux Comptes de Versailles*

6, place de la Pyramide

92908 Paris La Défense

Represented by Frédéric Gourd, Partner

Substitute Statutory Auditor, BEAS

6, place de la Pyramide

92908 Paris La Défense

There are no legal or financial ties of any sort between the two firms or the lead partners.

The Statutory Auditors' term of office will expire at the end of the Annual Shareholders Meeting to be held in 2022 to approve the 2021 financial statements.

5.4.2 b) Fees paid to the Statutory Auditors of Compagnie Générale des Établissements Michelin (CGEM)

The following table sets out the details of the fees charged by the Statutory Auditors in respect of 2020:

	Deloitte				PricewaterhouseCoopers			
	Statutory Auditor (Deloitte & Associés)		Network		Statutory Auditor (PricewaterhouseCoopers Audit)		Network	
(in € thousands)	Amount	%	Amount	%	Amount	%	Amount	%
STATUTORY AUDIT AND HALF-YEAR REVIEW OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS								
▶ Issuer	481	35%	-	-	530	39%	-	-
▶ Fully consolidated subsidiaries	886	65%	3,657	100%	825	61%	3,516	100%
Sub-total	**1,367**	**100%**	**3,657**	**100%**	**1,355**	**100%**	**3,516**	**100%**
NON-AUDIT SERVICES								
▶ Issuer[(1)]	100	98%	-	-	214	65%	-	-
▶ Fully consolidated subsidiaries[(2)]	3	2%	181	100%	114	35%	502	100%
Sub-total	**103**	**100%**	**181**	**100%**	**328**	**100%**	**502**	**100%**
TOTAL	**1,470**		**3,838**		**1,683**		**4,018**	

(1) Corresponding mainly to an independent third-party body engagement by PricewaterhouseCoopers Audit and procedures related to a bond issue performed by Deloitte & Associés and PricewaterhouseCoopers Audit.

(2) Corresponding to procedures performed in connection with acquisitions or planned acquisitions, tax compliance reviews and certifications issued at the request of the audited companies.

5.4.3 STATEMENTS INCORPORATED BY REFERENCE

In accordance with Article 19 of Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of June 17, 2017, this Universal Registration Document incorporates by reference the following information to which readers are invited to refer:

- the management report, the consolidated financial statements and the parent company financial statements for the year ended December 31, 2019, as well as the relevant Statutory Auditors' reports, presented in the Universal Registration Document filed with the AMF on April 17, 2020 under number D. 20-0306;
- the management report, the consolidated financial statements and the parent company financial statements for the year ended December 31, 2018, as well as the relevant Statutory Auditors' reports, presented in the Registration Document filed with the AMF on March 19, 2019 under number D. 19-0170.

The information included in said Registration Document and Universal Registration Document, other than the items cited above, are superseded or updated by the information included in the 2020 Universal Registration Document. The 2018 Registration Document and the 2019 Universal Registration Document are available for consultation at the Company's registered office or on its website www.michelin.com.

06. INVESTOR RELATIONS

6.1 INFORMATION ABOUT THE COMPANY[1]

Legal and commercial name of the Company

- Compagnie Générale des Établissements Michelin.

Place of registration and registration number

- The Company is registered in the Clermont-Ferrand Trade and Companies Register under number 855 200 887.
- LEI code: 549300SOSI58J6VIW052

Date of incorporation and term

- The Company was incorporated on July 15, 1863. Its term will end on December 31, 2050, unless it is wound up before that date or its term is extended.

Registered office

- The Company's registered office is located at 23, place des Carmes-Déchaux – Clermont-Ferrand (Puy-de-Dôme), France.
- Phone: +33 (0)4 73 32 20 00.
- Corporate website: www.michelin.com

Legal form and governing law

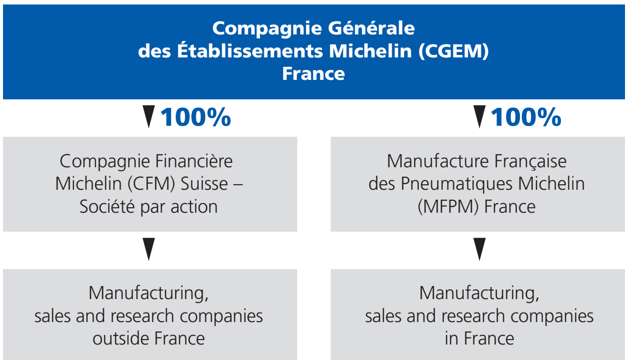
- The Company is a *société en commandite par actions* (partnership limited by shares) governed by Articles L. 226-1 to L. 226-14 of the French Commercial Code (*Code de commerce*).

Main business

- Managing subsidiaries and other interests held in any and all countries.

Summary organization chart

(at December 31, 2020)



The Group's parent company is Compagnie Générale des Établissements Michelin (CGEM), which directly or indirectly owns all of its subsidiaries and associates. Its two main subsidiaries are:

- Manufacture Française des Pneumatiques Michelin (MFPM), a wholly-owned subsidiary that coordinates all of the Group's manufacturing, sales and research operations in France;
- Compagnie Financière Michelin (CFM), a wholly-owned subsidiary that owns most of the Group's manufacturing, sales and research companies outside of France and coordinates their operations. It acts as the financing and financial risk management unit of the Group on behalf of all CGEM subsidiaries.

Services provided by CGEM and CFM to the operating companies are governed by contractual agreements.

A portion of these services are delivered by MFPM, which bills the operating companies on a cost-plus basis.

Intra-group transactions involve sizeable volumes in such areas as intangible assets, a wide array of services, equipment, raw materials and semi-finished and finished products. The corresponding fees or prices are set using methods that vary by type of transaction. However, all of the methods are based on the arm's length principle as defined in the OECD's Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

(1) *See also section 3 for information on the Company's Bylaws.*

6.2 SHARE INFORMATION

6.2.1 THE MICHELIN SHARE

Traded on the Euronext Paris stock exchange

- Compartment A;
- Eligible for the SRD deferred settlement system;
- ISIN: FR 0000121261;
- Par value: €2;
- Traded in units of: 1.

Market capitalization

- €18,717 million at December 31, 2020.

Average daily trading volume

- 548,883 shares since January 1, 2020.

Indices

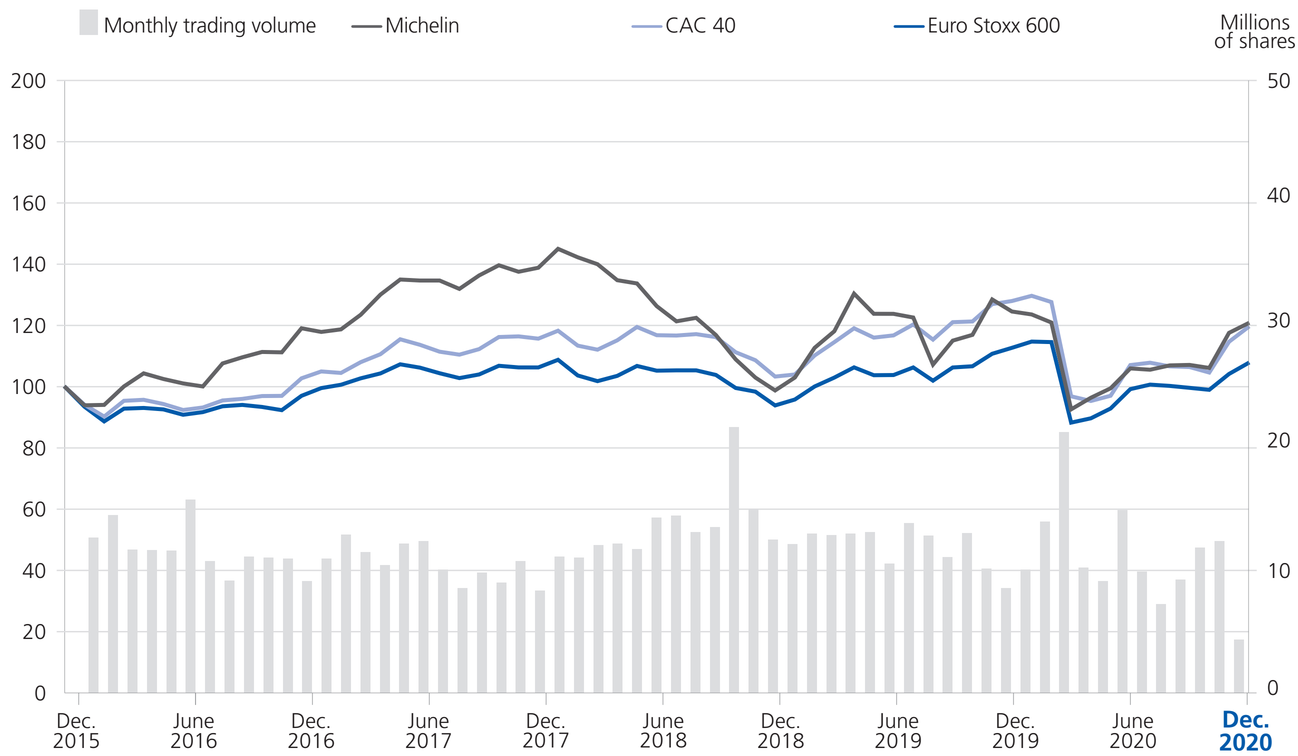
The Michelin share is included in two leading stock market indices:

- CAC 40: 1.48% of the index at December 31, 2020;
- Euronext 100: 0.59% of the index at December 31, 2020.

Michelin is also included in the main Socially Responsible Investing (SRI) indices:

- FTSE4Good;
- Ethibel Sustainability Index (ESI) Europe.

MICHELIN SHARE PERFORMANCE



6.2.2 DETAILED SHARE DATA

Share price *(in €)*	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Session high	112.80	119.50	130.85	128.40	106.80	103.90
Session low	68.00	83.74	82.68	98.93	77.40	71.60
High/Low ratio	1.66	1.43	1.58	1.30	1.38	1.45
Closing price, end of period	104.95	109.10	86.70	119.55	105.70	87.90
Average closing price over the period	95.49	104.36	109.40	115.65	91.97	90.26
Change in the Michelin share price over the period	-3.80%	+25.84%	-27.48%	+13.10%	+20.25%	+16.78%
Change in the CAC 40 index over the period	*-7.14%*	*+26.37%*	*-10.95%*	*+9.26%*	*+4.86%*	*+8.53%*
Change in the Stoxx 600 index over the period	*-4.04%*	-	-	-	-	-
Market capitalization *(at end of the period, in € billions)*	**18.72**	**19.49**	**15.59**	**21.45**	**19.03**	**15.98**
Average daily trading volume over the period	548,883	577,545	649,347	503,534	554,262	719,709
Average number of shares outstanding	178,497,159	179,669,608	179,384,513	182,212,806	182,122,667	185,960,394
Volume of shares traded over the period	141,062,953	147,273,882	165,583,378	128,401,095	142,445,218	184,245,619
Share turnover rate	**79%**	**82%**	**92%**	**71%**	**78%**	**99%**

6.2.3 PER-SHARE DATA

(in € per share, except ratios)	**2020**	**2019**	**2018**	**2017**	**2016**
Net asset value per share	**70.8**	74.1	67.8	62.7	59.1
Basic earnings per share	**3.52**	9.69	9.30	9.39	9.21
Diluted earnings per share[(1)]	**3.51**	9.66	9.25	9.34	9.03
Price-earnings ratio	**29.8**	**11.3**	**9.3**	**12.7**	**11.5**
Dividend per share[(2)]	2.30	2.00	3.70	3.55	3.25
Payout ratio (excl. non-recurring items)	47.0%	19.5%	36.4%	36.0%	36.5%
Yield[(3)]	2.2%	1.8%	4.3%	3.0%	3.1%

(1) *Earnings per share adjusted for the impact on net income and on average shares outstanding of the exercise of outstanding dilutive instruments.*
(2) *Subject to approval by the Annual Shareholders Meeting on May 21, 2021.*
(3) *Dividend/share price at December 31.*

6.2.4 CAPITAL AND OWNERSHIP STRUCTURE

At December 31, 2020, Michelin's share capital amounted to €356,680,172.

	At December 31, 2020			**At December 31, 2019**		
	Number of shareholders	**Shares outstanding**	**Voting rights outstanding**	**Number of shareholders**	**Shares outstanding**	**Voting rights outstanding**
French institutional investors		27.1	29.3		27.4	29.1
Non-resident institutional investors	3,938	61.8	57.1	3,735	61.3	57.1
Individual shareholders	136,935	9.1	11.4	141,628	9.5	11.8
Employee share ownership plan	69,378	2.0	2.3	58,079	1.8	2.0
TOTAL	**210,251**	**178,340,086 SHARES[(1)]**	**243,584,598 VOTING RIGHTS**	**203,442**	**178,627,555 SHARES**	**240,861,826 VOTING RIGHTS**

(1) *All fully paid up.*

Shares held in the same name for at least four years carry double voting rights.

6.3 INVESTOR RELATIONS

Every shareholder has access to clear, comprehensive, transparent information, tailored to his or her individual needs.

In particular, extensive information about our business operations, strategy and financial performance may be found in a wide variety of regulatory filings, such as press releases, the Universal Registration Document, the Interim Financial Report and the Company Bylaws. All of these publications are readily available in French and English at www.michelin.com in the Finance section and on request from the Investor Relations Department.

Given the health situation in 2020, Michelin did not organize any regional information meetings for individual shareholders in France during the year. However, the Group conducted a review of the membership and role of the Shareholders' Committee, which represents individual shareholders.

During the year, more than 1,610 institutional investors and financial analysts were contacted. A plenary meeting on corporate governance, led by Florent Menegaux and attended by the members of the Group's Supervisory Board, was also held remotely on December 7, 2020 and streamed on the Company's website.

Each year, all shareholders and proxy solicitors are notified of the date of the Annual Shareholders Meeting and of the voting procedures.

In accordance with the Company Bylaws, shares held in the same name for at least four years carry double voting rights.

6.4 DOCUMENTS ON DISPLAY

Historical financial information, Universal Registration Documents (Registration Documents), Notices and Minutes of Shareholders Meetings, the Company Bylaws, and all of the regulatory filings within the meaning of Article 221-1 of the AMF General Regulations (particularly press releases, quarterly reports and the Interim and Annual Reports) may be viewed in French or English at www.michelin.com or at the Company's registered office. They are also available on the French website of record, www.info-financiere.fr.

6.5 ADDITIONAL SHARE INFORMATION

6.5.1 CHANGES IN SHARE CAPITAL

Year	Transaction	Change in capital Number of shares	Par value (in €)	Share premium (in €)
	At December 31, 2013	**185,789,643**	**371,579,286**	
2014	Conversion of OCEANE bonds	2	4	185
	Exercise of stock options	866,320	1,732,640	44,398,643
	Vesting of performance shares	80,571	161,142	0
	Cancellation of shares	(1,010,336)	(2,020,672)	(84,643,593)
	At December 31, 2014	**185,726,200**	**371,452,400**	
2015	Conversion of OCEANE bonds	28	**56**	**2,718**
	Exercise of stock options	909,999	1,819,998	64,070,030
	Vesting of performance shares	227,489	454,978	0
	Cancellation of shares	(4,961,534)	(9,923,068)	(441,024,693)
	At December 31, 2015	**181,902,182**	**363,804,364**	
2016	Employee share issue	657,366	1,314,732	48,894,883
	Conversion of OCEANE bonds	7,230	14,460	709,379
	Exercise of stock options	723,420	1,446,840	47,219,717
	Vesting of performance shares	122,963	245,926	0
	Cancellation of shares	(3,347,040)	(6,694,080)	(293,905,884)
	At December 31, 2016	**180,066,121**	**360,132,242**	
2017	Exercise of stock options	308,979	617,958	16,376,110
	Vesting of performance shares	39,084	78,168	0
	Cancellation of shares	(893,197)	(1,786,394)	(98,790,498)
	At December 31, 2017	**179,520,987**	**359,041,974**	
2018	Employee share issue	578,639	1,157,278	46,470,498
	Exercise of stock options	201,946	403,892	10,245,710
	Vesting of performance shares	194,291	388,582	0
	Cancellation of shares	(648,231)	(1,296,462)	(73,928,476)
	At December 31, 2018	**179,847,632**	**359,695,264**	
2019	Exercise of stock options	64,178	128,356	3,594,008
	Vesting of performance shares	61,566	123,132	0
	Cancellation of shares	(1,345,821)	(2,691,642)	(137,856,194)
	At December 31, 2019	**178,627,555**	**357,255,110**	
2020	Vesting of performance shares	81,518	163,036	0
	Exercise of stock options	14,570	29,140	904,670
	Employee share issue	713,983	1,427,966	52,416,948
	Cancellation of shares	(1,097,540)	(2,195,080)	(96,689,419)
	AT DECEMBER 31, 2020	**178,340,086**	**356,680,172**	

6.5.2 POTENTIAL SHARES

6.5.2 a) Outstanding securities convertible, exchangeable, redeemable or otherwise exercisable for shares

Options to purchase new shares of common stock

Please refer to the detailed information in section 6.5.3.

Performance shares

Please refer to the detailed information in section 6.5.4.

6.5.2 b) Estimated maximum number of potential new shares at December 31, 2020

(in number of shares with a par value of €2)	Maximum number of potential new shares	Issued capital *(in €)*
ISSUED CAPITAL AT DECEMBER 31, 2020		**356,680,172**

Stock options outstanding as of December 31, 2020

Grant date	Adjusted exercise price *(in €)*	Vesting date	Expiration date	Number of options outstanding	
June 25, 2012	51.16	June 25, 2016	June 24, 2021	22,588	
TOTAL STOCK OPTIONS OUTSTANDING				**22,588**	**45,176**

Performance shares outstanding at December 31, 2020

Grant date	Vesting period ends	Performance shares outstanding	
November 14, 2017 *(Excellence)*	November 14, 2021	182,751	
November 22, 2018 *(Excellence Management)*	November 22, 2022	127,480	
November 15, 2019 *(Excellence)*	November 15, 2023	374,369	
November 13, 2020 *(Excellence, Managers)*	November 13, 2024	506,236	
November 16, 2020	November 16, 2022	82,504	
TOTAL PERFORMANCE SHARES OUTSTANDING		**1,273,340**	**2,546,680**

MAXIMUM POTENTIAL SHARES AS OF DECEMBER 31, 2021 (REPRESENTING A 0.73% INCREASE IN ISSUED CAPITAL)	**359,272,028**

6.5.3 STOCK OPTIONS

6.5.3 a) Stock option plans in effect at December 31, 2020[1] (Table 8 of the AFEP/MEDEF Corporate Governance Code)

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5	Plan 6	Plan 7	Plan 8	Plan 9	Plan 10	Plan 11	Plan 12	Plan 13	Plan 14
Date of the shareholder authorization	05/18/2001	05/18/2001	05/18/2001	05/18/2001	05/18/2001	05/14/2004	05/14/2004	05/12/2006	05/12/2006	05/12/2006	05/15/2009	05/15/2009	05/15/2009	05/15/2009
Date granted by the Managers	05/19/2002	05/19/2003	11/24/2003	05/17/2004	07/05/2004	05/23/2005	11/07/2005	05/15/2006	05/14/2007	05/19/2008	11/23/2009	05/12/2010	05/19/2011	06/25/2012
Total number of new or existing shares that may be purchased upon exercise of the options	722,635	245,047	230,386	184,088	132,772	226,057	942,215	141,463	1,230,323	321,095	1,447,372	260,138	252,900	143,276
Of which options granted to:														
▶ Jean-Dominique Senard[2] (Managing Chairman)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
▶ Florent Menegaux[2] (Managing General Partner)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
▶ Yves Chapot[2] (General Manager)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
▶ Michel Rollier[3] (Chairman of the Supervisory Board)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vesting date	05/19/2006	05/19/2007	11/24/2007	05/17/2008	07/05/2008	05/23/2009	11/07/2009	05/15/2010	05/14/2011	05/19/2012	11/23/2013	05/12/2014	05/19/2015	06/25/2016
Expiration date	05/18/2011	05/18/2012	11/23/2012	05/16/2013	07/04/2013	05/22/2014	11/06/2014	05/14/2015	05/13/2016	05/18/2017	11/22/2018	05/11/2019	05/18/2020	06/24/2021
Exercise price	€42.47	€31.13	€32.82	€38.61	€42.96	€46.34	€46.34	€55.99	€87.85	€59.85	€51.16	€52.13	€66.00	€51.16
Number of options exercised at December 31, 2020	647,332	239,847	207,064	182,088	117,189	223,557	864,725	138,663	798,635	317,539	1,346,155	250,305	159,116	108,136
Number of options cancelled or expired	75,303	5,200	23,322	2,000	15,583	2,500	77,490	2,800	431,688	3,556	101,217	9,833	93,784	12,552
NUMBER OF OPTIONS OUTSTANDING AT DECEMBER 31, 2020	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**22,588**

(1) In compliance with stock option plan rules and prevailing legislation (notably Articles L. 225-181 and R. 225-140 of the French Commercial Code), the number of shares to be issued on exercise of these options and the option exercise price, for all plans in effect as of October 25, 2010, have been adjusted to maintain grantee rights following the share issue with pre-emptive subscription rights placed on record on October 25, 2010.

(2) Granted in his capacity as Manager.

(3) Granted in his capacity as Chairman of the Supervisory Board.

6.5.3 b) Stock options granted and exercised during the year

Stock options granted by CGEM[(1)] to the ten grantees other than Managers who received the greatest number of options and options exercised by the ten grantees other than Managers who exercised the greatest number of options	Number of options granted/exercised	Exercise price *(in €)*	End of exercise period	Date granted by the Managers
Options granted	0	-	-	-
Options exercised (new shares issued)	1,523	51.16	06/24/2021	06/25/2012
	12,696	66.00	05/18/2020	05/19/2011

(1) No options have been granted by any qualifying company apart from CGEM.

6.5.3 c) Special report of the Managing Chairman

No stock options were granted during the year.

The ten employees other than the Managers who exercised the greatest number of options exercised 14,219 options at a unit price of €66.00 for options granted on May 19, 2011, and €51.16 for options granted on June 25, 2012.

No Manager holds non-exercisable stock options.

Clermont-Ferrand, February 12, 2021

Florent Menegaux

Managing Chairman

6.5.4 SHARE GRANTS AND PERFORMANCE SHARES

6.5.4 a) Performance share plans in effect at December 31, 2020 (Table 9 of the AFEP/MEDEF Corporate Governance Code)

COMPLETED PLANS

	Plan 1	Plan 2	Plan 3
Date of the shareholder authorization	May 13, 2011	May 13, 2011	May 13, 2011
Date granted by the Managers	November 28, 2011	November 28, 2012	November 29, 2013
Number of rights granted	287,944	371,936	81,400
O/w to:			
▶ Florent Menegaux[1] (Managing General Partner)	-	-	-
▶ Yves Chapot[1] (General Manager)	-	-	-
Vesting date (in years)	November 28, 2014 (France) (3 years) November 28, 2015 (other countries) (4 years)	November 28, 2015 (France) (3 years) November 28, 2016 (other countries) (4 years)	November 29, 2017 (4 years)
End of lock-up period (in years)	November 28, 2016 (France) (2 years)	November 28, 2017 (France) (2 years)	N/A
Performance conditions[2] (period over which criteria are applied: 3 years)	▶ Average annual sales volume growth of at least 3% over the 2011-2013 period ▶ Average annual consolidated operating income of at least €1.4 billion over the 2011-2013 period	▶ Average annual growth in sales value of at least 3% over the 2012-2014 period ▶ Average annual consolidated operating income of at least €2 billion over the 2012-2014 period	▶ Average annual growth in sales value of at least 3% over the 2013-2015 period ▶ Average annual consolidated operating income of at least €2.4 billion over the 2013-2015 period
Number of vested shares at December 31, 2020	195,068	237,243	39,084
Number of canceled or voided share rights	92,876	134,693	42,316
NUMBER OF PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2020	**0**	**0**	**0**

(1) Granted in his capacity as Manager. (2) On a like-for-like consolidated basis, excluding changes in exchange rates for the financial criteria.
(2) On a like-for-like consolidated basis, excluding changes in exchange rates for the financial criteria.
(3) Michelin Site Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.

Plan 4 (Excellence)	**Plan 5 (Excellence Management)**	**Plan 6 (Excellence Management)**	**Plan 7 (Excellence Management)**
May 16, 2014	May 16, 2014	May 16, 2014	May 13, 2016
November 27, 2014	November 27, 2014	November 25, 2015	November 25, 2016
288,426	108,292	84,892	120,520
-	-	-	
-	-	-	
November 27, 2018 (4 years)	November 27, 2018 (4 years)	November 25, 2019 (4 years)	November 25, 2020 (4 years)
N/A	N/A	N/A	N/A
▶ Average annual growth in sales value of at least 2% over the 2014-2016 period ▶ Average annual growth in consolidated operating income of €150 million over the 2014-2016 period ▶ Average employee engagement rate of at least 72% over the 2014-2016 period	▶ Average annual growth in sales value of at least 2% over the 2014-2016 period ▶ Average annual growth in consolidated operating income of €150 million over the 2014-2016 period ▶ Arithmetic average annual return on capital employed (ROCE) of at least 12% over the 2014-2016 period ▶ Average employee engagement rate of at least 72% over the 2014-2016 period	▶ Average annual growth in sales value of at least 2% over the 2015-2017 period ▶ Average annual growth in consolidated operating income of €150 million over the 2015-2017 period ▶ Arithmetic average annual return on capital employed (ROCE) of at least 12% over the 2015-2017 period ▶ Average employee engagement rate of at least 73% over the 2015-2017 period	▶ Michelin share price that outperforms the CAC 40 by at least 15 points, comparing the average closing price between the second half of 2015 and the second half of 2018 ▶ Corporate social responsibility objective: - average MEF(3) of less than 60 over the 2016-2018 period - and average employee engagement rate of at least 80% over the 2016-2018 period ▶ Average annual growth in consolidated operating income of €150 million over the 2016-2018 period
166,786	26,749	61,942	81,898
121,640	81,543	22,950	38,622
0	**0**	**0**	**0**

PLANS IN EFFECT

	Plan 8 (Excellence)	Plan 9 (Excellence Management)
Date of the shareholder authorization	May 13, 2016	May 13, 2016
Date granted by the Managers	November 14, 2017	November 22, 2018
Number of rights granted	296,440	129,270
O/w to:		
▶ Florent Menegaux[1] (Managing Chairman)	-	-
▶ Yves Chapot[1] (General Manager)	-	-
Vesting date (in years)	November 14, 2021 (4 years)	November 22, 2022 (4 years)
End of lock-up period (in years)	N/A	N/A
Performance conditions[2] (period over which criteria are applied: 3 years)	▶ Michelin share price that outperforms the CAC 40 by at least 15 points, comparing the average closing price between the second half of 2016 and the second half of 2019 ▶ Corporate social responsibility objective: - average MEF(3) of less than 60 over the 2017-2019 period - and average employee engagement rate of at least 80% over the 2017-2019 period ▶ Average annual growth in consolidated operating income of €150 million over the 2017-2019 period	▶ Michelin share price that outperforms the CAC 40 by at least 15 points, comparing the average closing price between the second half of 2017 and the second half of 2020 ▶ Corporate social responsibility objective: - average MEF(3) of no more than 51 over the 2018-2020 period - and average employee engagement rate of at least 80% over the 2018-2020 period ▶ Average annual growth in consolidated operating income of €150 million over the 2018-2020 period
Number of vested shares at December 31, 2020	0	0
Number of canceled or voided share rights	113,689	1,790
NUMBER OF SHARE GRANTS OR PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2020	**182,751**	**127,480**

(1) Granted in his capacity as Manager.
(2) On a like-for-like consolidated basis, excluding changes in exchange rates for the financial criteria.

Plan 10 (Excellence)	Plan 11 (Excellence)	Plan 12 (Managers)	Plan 13
May 17, 2019	June 23, 2020	June 23, 2020	June 23, 2020
November 15, 2019	November 13, 2020	November 13, 2020	November 16, 2020
377,292	486,216	20,020	82,724
-	-	12,012	0
-	-	8,008	0 (Yves Chapot waived his four share rights)
November 15, 2023 (4 years)	November 13, 2024 (4 years)	November 13, 2024 (4 years)	November 16, 2022 (2 years)
N/A	N/A	N/A	N/A
▶ Michelin share price that outperforms the CAC 40 by at least 15 points, comparing the average closing price between the second half of 2018 and the second half of 2021 ▶ Corporate social responsibility objective: - average change in MEF[3] of less than -1.5 points over the 2019-2021 period - and average change in employee engagement rate of more than 1.5 points over the 2019-2021 period ▶ Average segment operating margin of at least 12% over the 2019-2021 period[4]	▶ Michelin share price outperforms the Euro Stoxx 600 index by at least 15 points, comparing the average closing price in 2019 and in 2022 ▶ Corporate social responsibility objective: - average change in MEF(3) of less than -1.5 points over the 2020-2022 period - and average change in employee engagement rate of more than 1.5 points over the 2020-2022 period ▶ Average annual growth in revenue (excluding tires and distribution) of more than 8% over the 2019-2021 and 2021-2022 periods[5] ▶ Return on capital employed (ROCE) of at least 11% in 2022	▶ Michelin share price outperforms the Euro Stoxx 600 index by at least 15 points, comparing the average closing price in 2019 and in 2022 ▶ Corporate social responsibility objective: - average change in MEF(3) of less than -1.5 points over the 2020-2022 period - and average change in employee engagement rate of more than 1.5 points over the 2020-2022 period ▶ Average annual growth in revenue (excluding tires and distribution) of more than 8% over the 2019-2020, 2020-2021 and 2021-2022 periods ▶ Return on capital employed (ROCE) of at least 11% in 2022	N/A
0	0	0	0
2,923	0	0	220
374,369	**486,216**	**20,020**	**82,504**

(3) Michelin Site Environmental Footprint (MEF) indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled.

(4) Replaces the condition of reporting average consolidated operating income of more than €200 million a year over the 2019-2021 period, which is no longer feasible given the 2020 business environment.

(5) Given the impact of Covid-19 on the business environment, the 2020 result has been factored out of this indicator so that it remains attainable.

6.5.4 b) Performance shares granted during the year

Rights to 588,960 performance shares were granted during the year.

	Number of shares granted	Date granted by the Managers
Performance shares granted by CGEM to the ten grantees other than Managers who received the greatest number of shares	55,696	Nov. 13, 2020 and Nov. 16, 2020

6.5.4 c) Special report of the Managing Chairman

November 13, 2020 Plan (Excellence)

The Annual Shareholders Meeting of June 23, 2020 authorized the grant of shares without consideration to employees of the Company (including the Managers and the Chairman of the Supervisory Board) and of related companies within the meaning of Articles L. 225-197-1 *et seq.* of the French Commercial Code, with the number of shares that may be granted limited to 0.9% of issued capital.

This authorization was used in 2020 to grant 506,236 rights to one new share of common stock to 1,686 grantees.

Performance shares will vest based on the fulfillment of performance criteria set out under the Michelin Performance and Responsibility Ambitions for 2020.

As specified in the report presenting the related resolution of the June 23, 2020[1] Shareholders Meeting, all grantees must fulfill three performance conditions.

as follows:

- Michelin's share performance compared with the Stoxx Europe 600 index: the difference between average closing prices of the Michelin share for 2019 and for 2022 must exceed the difference between the closing Stoxx Europe 600 indexes for these same years by at least 15 point;
- Corporate social responsibility objective: employee engagement and the environmental performance of manufacturing operations. This criterion is based on two indicators: the environmental footprint of Michelin's manufacturing operations and the level of employee engagement;
  - Since 2005, Michelin has measured and published these operations' energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled, using the Michelin Site Environmental Footprint (MEF) indicator. The change in the average MEF over three years (2020-2022 period) must be less than -1.5 point,
  - Since 2013, the annual "Moving Forward Together: Your Voice for Action" survey has measured the employee engagement rate. The change in the average engagement rate over three years (2020-2022 period) must exceed 1.5 point;
- operating performance: growth in revenue (excluding tires and distribution) and return on capital employed (ROCE). This criterion is based on two indicators: revenue growth excluding tires and distribution, and total consolidated ROCE (*i.e.*, including acquisitions and companies accounted for by the equity method);
  - The growth in the new business revenue indicator (like-for-like growth excluding tires and distribution) measures the Group's ability to grow its new businesses (as opposed to its historical core business). The average growth in new business revenue from 2019 to 2021 and from 2021 to 2022 must exceed 8%. Given the impact of Covid-19 on the business environment, the 2020 result has been factored out of this indicator for employees so that it remains both demanding and realistic. As this change applies only to employees, it does not apply to the Managers,
  - Total consolidated ROCE (including acquisitions, related goodwill and equity-accounted companies) measures the robustness of the Group's performance. It must exceed 11% in 2022.

For all criteria, fulfillment is calculated as follows:

- If the minimum performance condition is not met, no shares will vest;
- if the minimum performance condition is met or exceeded, shares will vest on a gradual and proportional basis up to a certain ceiling.

Provided that the grantee is still employed by the Group at the end of the vesting period (or qualifies for an exemption from this requirement under French law or in exceptional cases at the discretion of the Managers), if the achievement rate for all of the above criteria is 100% then 100% of the performance shares will vest, with the first criterion counting for 30%, the second criterion also counting for 30% (15% for each indicator) and the third criterion counting for 40% (20% for each indicator, with a result capped at 13% for the first indicator since it is assessed over two-thirds of the period).

(1) *Please refer to pages 395 to 398 of the 2019 Universal Registration Document.*

The following amendments will be introduced with effect from 2021.

The Michelin Environmental Footprint (MEF) indicator will be replaced by the industrial-Michelin Environmental Performance (i-MEP). Since 2005, Michelin has measured and reported the main impacts of its manufacturing operations using the MEF indicator, which now needs to be updated to reflect the extensive progress made and the emergence of new environmental challenges since its launch. The new indicator will track the environmental impact of the Group's manufacturing operations over the next ten years. The i-MEP will make these easier to understand by focusing on five priority areas: energy use, CO_2 emissions, organic solvent use, water withdrawals and stress, and waste production.

To strike a better balance between the People, Planet and Profit criteria, the weightings of the performance criteria will be adjusted with effect from 2021 to raise the CSR performance criterion from 30% to 40% (both indicators combined), and lower the operational performance criterion from 40% to 30% (both indicators combined).

The objective for the stock market performance criterion is for the Michelin share price to outperform the Stoxx Europe 600 index by 5 points. Although lower than the target set for the 2020 plan, this objective is nonetheless very ambitious.

As regards the engagement rate, the improvement in this indicator at end-2020 (83%) and the ongoing integration of recently acquired companies make achieving any further progress on the 2020 score inherently more demanding.

These changes are summarized in the table below.

Criteria		Weighting
Share price performance	The change in the **Michelin share price** for must outperform that of the Stoxx Europe 600 index by **5 points**	30%
Corporate social responsibility	The Industrial - Michelin Environmental Performance – **i-MEP(1) must be between 92 and 88** in the third year of the assessment period	20%
	The annual average change in the Group **employee engagement rate(1) must exceed 1 point**	20%
Operating performance	**The average annual growth in revenue** (excluding tires and distribution) must be **between 3% and 8%**	15%
	Total consolidated **ROCE** (including acquisitions, related goodwill and equity-accounted companies) must be **between 10% and 11%** in the third year of the assessment period ("final ROCE").	15%

(1) Current scope of reporting on a full-year basis, including acquisitions from the fourth year of consolidation in the financial statements.

November 16, 2020 Plan

The Annual Shareholders Meeting of June 23, 2020 authorized the grant of shares without consideration to employees of the Company (including the Managers and the Chairman of the Supervisory Board) and of related companies within the meaning of Articles L. 225-197-1 *et seq.* of the French Commercial Code, with the number of shares that may be granted limited to 0.9% of issued capital.

Impelled by the new variable compensation policy and the commitment to further deepening employee engagement and enabling them to share in the Group's financial performance, the Managers decided to grant a limited number of four shares to employees of the French subsidiaries, capped at an aggregate 0.06% of the share capital and included in the aforementioned ceiling of 0.9%, and provided solely that the grantee is still employed by the Group. This authorization was used in 2020 to grant 82,724 rights to one new share of common stock to 20,681 grantees.

Fulfillment of performance conditions under performance share plans in effect in 2020

FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 25, 2016 PERFORMANCE SHARE PLAN

Criteria		Weighting	Results				Achievement rate
			2018 vs 2015				
Share price performance	**Michelin share price** outperforms the CAC 40 by **at least 15 points** for the 2015-2018 period (average closing price for the second half of the two years)	35%	1.5 points				**4%**
			2016	2017	2018	Average	
Corporate social responsibility	Michelin Site Environmental Footprint **MEF** (indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) average over three years (2016-2018 period) must be **less than 60**	15%	57	53	49	**53**	**15%**
	Average **employee engagement rate**: must be **at least 80%** a year on a like-for-like consolidated basis over the 2016-2018 period	15%	80%	80%	80%	**80%**	**15%**
Growth in operating income	Like-for-like growth in **consolidated operating income** from recurring activities, of **€150 million** a year over the 2016-2018 period	35%	243	138	289	**223**	**35%**
TOTAL							**69%**

Given that one of the performance conditions was only partially met, no more than 69% of the performance shares vested.

Note that the vesting period ended in November 2020 (with no lock-up period) for all grantees.

FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 14, 2017 PERFORMANCE SHARE PLAN

Criteria		Weighting	Results				Achievement rate
			2019 vs 2016				
Share price performance	**Michelin share price** outperforms the CAC 40 by **at least 15 points** for the 2016-2019 period (average closing price for the second half of the two years)	35%	-17.5 points				**0%**
			2017	2018	2019	Average	
Corporate social responsibility	Michelin Site Environmental Footprint **MEF** (indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) average over three years (2017-2019 period) must be **less than 60**	15%	53	49	49	**50**	**15%**
	Average **employee engagement rate**: must be **at least 80%** a year on a like-for-like consolidated basis over the 2017-2019 period	15%	80%	80%	81%	**80%**	**15%**
Growth in operating income	Like-for-like growth in **consolidated operating income** from recurring activities[(1)], of **€150 million** a year over the 2017-2019 period	35%	145	265	111	**174**	**35%**
TOTAL							**65%**

(1) Indicator replacing operating income before non-recurring income and expenses.

Given that one of the performance conditions was not met, no more than 65% of the performance shares will vest.

Note that the vesting period will end in November 2021 (with no lock-up period) for all grantees.

INTERIM FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 22, 2018 PERFORMANCE SHARE PLAN

Criteria		Weighting	Results				Achievement rate
			2020 vs 2017				
Share price performance	**Michelin share price** outperforms the CAC 40 by **at least 15 points** for the 2017-2020 period (average closing price for the second half of the two years)	35%	-15.7 points				**0%**
			2018	**2019**	**2020**	**Average**	
Corporate social responsibility	Michelin Site Environmental Footprint **MEF** (indicator: energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) average over three years (2018-2020 period) must be **less than 51**	15%	49	49	49	**49**	**15%**
	Average **employee engagement rate**: must be **at least 80%** a year on a like-for-like consolidated basis over the 2018-2020 period	15%	80%	81%	83%	**81%**	**15%**
Growth in operating income	Like-for-like growth in **consolidated operating income** from recurring activities[1], of **€150 million** a year over the 2018-2020 period	35%	265	111	(1,002)	**(209)**	**0%**
TOTAL							**30%**

(1) Indicator replacing operating income before non-recurring income and expenses.

Given that only the Corporate social responsibility performance condition was met, no more than 30% of the performance shares will vest. Note that the vesting period will end in November 2022 (with no lock-up period) for all grantees.

INTERIM FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 15, 2019 PERFORMANCE SHARE PLAN

In view of the challenging business environment in 2020, the Managing Chairman decided to replace the growth in segment operating income condition by the segment operating margin. The change is intended to attenuate the impact of the 2020 performance on the overall achievement rate of the conditions over the three-year period from 2019 to 2021. This change does not concern the Managers, for whom none of the performance criteria have been adjusted.

Criteria		Weighting	Interim results		
				2020 vs 2018	
Share price performance	Michelin share price outperforms the CAC 40 by **at least 15 points** for the 2018-2021 period (average closing price for the second half of the two years)	35%		+0.8 points	
			2019	2020	2021
Corporate social responsibility	The average change in the Michelin Site Environmental Footprint – **MEF** (energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) over three years (2019-2021 period) must be **less than -1.5 points**	15%	-0.5 points	+0.1 points	-
	Change in average **employee engagement rate**: must **exceed 1.5 points** a year on a like-for-like consolidated basis over the 2019-2021 period	15%	+1.0 points	+2.0 points	-
Operating margin	**Segment operating margin**, at current scope of consolidation, constant accounting methods and current exchange rates, of an average 12% a year over the 2019-2021 period	35%	12.5%	9.2%	-

INTERIM FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 13, 2020 PERFORMANCE SHARE PLAN FOR EMPLOYEES

Criteria		Weighting	Interim results		
				2020 vs 2019	
Share price performance	**Michelin share price** outperforms the Stoxx Europe 600 index by **at least 15 points**, comparing the average closing price in 2019 and in 2022	30%		-4.9 points	
			2020	2021	2022
Corporate social responsibility	The average change in the *Michelin Site Environmental Footprint* – **MEF** (energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) over three years (2020-2022 period) must be **less than -1.5 points**	15%	+0.1 points	-	-
	Change in average **employee engagement rate**: must **exceed 1.5 points** a year on a like-for-like consolidated basis over the 2020-2022 period	15%	+2.0 points	-	-
Operating performance	Average annual **growth in revenue** (excluding tires and distribution) must **exceed 8%** over the 2019-2021 and 2021-2022 periods(1).	13% (1)	factored out	-	-
	Total consolidated **ROCE** (including acquisitions, related goodwill and equity-accounted companies) must **exceed 11%** in 2022.	20%	6.0%		

(1) Given the impact of Covid-19 on the business environment, the 2020 result has been factored out of this indicator so that it remains attainable. As a result, the indicator's achievement rate has been capped at 13%, instead of 20%, to reflect its assessment over two-thirds of the period.

INTERIM FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 13, 2020 PERFORMANCE SHARE PLAN FOR THE MANAGERS

Criteria		Weighting	Interim results		
			2020 vs 2019		
Share price performance	**Michelin share price** outperforms the Stoxx Europe 600 index by **at least 15 points**, comparing the average closing price in 2019 and in 2022	30%	-4.9 points		
			2020	**2021**	**2022**
Corporate social responsibility	The average change in the *Michelin Site Environmental Footprint* – **MEF** (energy use, water withdrawals, CO_2 emissions, volatile organic compound emissions, amount of waste produced and amount of waste landfilled) over three years (2020-2022 period) must be **less than -1.5 points**	15%	+0.1 points	-	-
	Change in average **employee engagement rate**: must **exceed 1.5 points** a year on a like-for-like consolidated basis over the 2020-2022 period	15%	+2.0 points	-	-
Operating performance	Average annual **growth in revenue** (excluding tires and distribution) must **exceed 8%** over the 2019-2020, 2020-2021 and 2021-2022 periods	20%	-10.2%	-	-
	Total consolidated **ROCE** (including acquisitions, related goodwill and equity-accounted companies) must **exceed 11%** in 2022.	20%	6.0%		

Performance shares vested and delivered

Note that during 2020:

- the two Managers received 20,020 performance share rights (one received 12,012 and the other received 8,008);
- the two Managers received 10,971 fully vested performance shares (one received 6,583 and the other received 4,388);
- the 10 employees other than Managers who were granted the greatest number of share rights:
  - received 55,696 performance share rights (two grantees received 6,904; one received 6,444; one received 5,984; one received 5,374; one received 5,370; one received 5,004; two received 4,604; and one received 4,504),
  - received 39,478 fully vested performance shares (one grantee received 4,940; five received 4,388; three received 3,284; and one received 2,746).

Clermont-Ferrand, February 12, 2021

Florent Menegaux

Managing Chairman

6.5.5 EMPLOYEE SHARE OWNERSHIP

Following completion of the seven employee savings plans set up in 2002, 2003, 2008, 2013, 2016, 2018 and 2020, a total of 69,378 Group employees on payroll in almost 50 countries around the world are now shareholders. At December 31, 2020, employees owned 2.0% of the issued capital.

6.5.6 INFORMATION CONCERNING A SHARE BUYBACK PROGRAM CURRENTLY IN EFFECT

The following information includes the disclosures reported in the Managing Chairman's Report in compliance with Article L. 225-211 of the French Commercial Code.

6.5.6 a) Authorizations granted to the Managers

At the Annual Shareholders Meeting of May 17, 2019, shareholders granted the Managers an 18-month authorization to buy or sell shares of Company stock, as part of a new share buyback program. The Company was authorized to buy back up to 10% of the total shares outstanding, at a maximum purchase price of €180 per share, with the requirement that it not hold more than 10% of its own share capital at any time.

The authorization was used in 2019 (please refer to section 6.5.6 b) of the 2019 Universal Registration Document) and in 2020 (please refer to section 6.5.6 a) below).

In addition, at the June 23, 2020 Annual Shareholders Meeting, shareholders granted the Managers a new authorization, valid for 18 months or until replaced, to buy or sell shares of Company stock, under the same terms and conditions as the previous authorization, at a maximum purchase price of €180. From its entry into force this authorization has replaced the previous authorization.

The Company signed a share buyback agreement with Natixis to take effect between January and November 2020.

At the Annual Shareholders Meeting on May 21, 2021, shareholders will be asked to authorize the Managers to buy or sell shares of Company stock as part of a new buyback program, the terms and conditions of which are described below in section 6.5.7 "Description of the share buyback program submitted for shareholder approval at the Annual Shareholders Meeting of May 21, 2021".

6.5.6 b) Transactions in the Company's shares in 2020

The following transactions were carried out under the share buyback programs authorized by shareholders at the May 17, 2019 and June 23, 2020 Annual Shareholders Meetings, for 216,935 and 880,605 shares respectively.

The Company no longer held any shares in treasury at December 31, 2020, as was the case at January 1, 2020. A total of 1,097,540 shares were bought back by the Company during the year, all of which were purchased for cancellation. The shares were bought back at a unit price of €89.28, compared with an average daily closing price of €95.49 for 2020.

6.5.6 c) Purpose of shares held in treasury at December 31, 2020

The Company held no shares in treasury at December 31, 2020.

6.5.6 d) Market value of treasury shares at December 31, 2020

No shares were held at December 31, 2020.

	Treasury shares bought back and sold during the year	
	Buybacks	**Sales/transfers**
Number of shares	1,097,540	0
Average transaction price per share *(in €)*	89.28(1)	0
Average exercise price	N/A	N/A
Total cost of transactions *(in €)*	98,588,733(1)	0

(1) Before transaction costs.

Derivative instruments were not used to buy back shares. The Company did not have any open buy or open sell positions in its own stock at December 31, 2020.

6.5.7 DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL AT THE ANNUAL SHAREHOLDERS MEETING OF MAY 21, 2021

The following description has been prepared in accordance with Articles 241-1 et seq. of the General Regulations of the French securities regulator (AMF) and with European Commission regulations.

Date of the Annual Shareholders Meeting at which the share buyback program is submitted for approval

May 21, 2021.

Purposes of the new share buyback program

The objectives of the share buyback program are as follows:

- to purchase shares for sale or allocation to employees of Group companies in accordance with the conditions set down by law, including (i) on exercise of stock options, (ii) under performance share plans and (iii) by way of transfer and/or employer matching contributions, indirectly or indirectly, in connection with employee rights issues;
- to maintain a liquid market for the Company's shares through a liquidity contract complying with the Code of Ethics approved by the AMF;
- to purchase shares for allocation on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to purchase shares to be held and subsequently sold, exchanged or otherwise transferred in connection with external growth transactions. The maximum number of shares purchased for the purpose of being held and subsequently sold or exchanged in connection with a merger, de-merger or asset contribution shall not exceed 5% (five percent) of the Company's share capital;
- to implement any other market practices that may be authorized in the future;
- to acquire shares for cancellation under a shareholder-approved capital reduction.

Maximum percentage of issued capital, maximum number and characteristics of the shares the Company proposes to buy back and maximum purchase price

The Company would be authorized to buy back up to 10% of the total shares outstanding, *i.e.*, 17,834,008 shares at the date of this report. Based on the maximum purchase price of €180 per share, this would correspond to a maximum theoretical amount of €3,210,121,440.

In accordance with the law, when shares are bought back for the second purpose listed above, the number of shares used to calculate the 10% limit is the number bought back less the number sold during the course of the program.

Pursuant to Article L. 225-210 of the French Commercial Code, the total value of shares held in treasury may not exceed the amount of available reserves (other than the legal reserve) recorded in the Company's balance sheet at December 31, 2020.

Duration of the share buyback program

Subject to shareholder approval, the shares may be bought back at any time during the 18 months from the May 21, 2021 Annual Shareholders Meeting, *i.e.*, until the close of trading on November 21, 2022.

Effective as from the Annual Shareholders Meeting of May 21, 2021, this authorization would replace the similar authorization granted by shareholders at the Annual Shareholders Meeting of June 23, 2020.

07. ANNUAL SHAREHOLDERS MEETING OF MAY 21, 2021

7.1 REPORT OF THE MANAGING CHAIRMAN AND PROPOSED RESOLUTIONS

Ongoing dialogue between shareholders and issuers, both before and after Annual Shareholders Meetings, is essential to enable shareholders to effectively exercise their role, and for companies to enhance their communications.

One of the ways that companies can ensure the effectiveness of such dialogue is by making additional efforts to clearly explain the content, rationale and import of the resolutions submitted for shareholder approval.

For each financial authorization submitted for approval at the Annual Shareholders Meeting, this report therefore refers to the corresponding information sheet in the guide entitled "Proposed resolutions submitted to the vote of shareholders of listed companies". Prepared by MEDEF in 2013 and updated in January 2016[1], the guide is available at www.medef.com.

The resolutions set in blue type below are the resolutions proposed by the Company that will be included in the Notice of Meeting published in the *Bulletin des annonces légales obligatoires*. Each shareholder will also be sent a copy of the Notice of Meeting within the period prescribed by law.

7.1.1 ORDINARY RESOLUTIONS (1ST TO 13TH RESOLUTIONS)

1st and 2nd resolutions

(Approval of the Company financial statements for the year ended December 31, 2020)

Appropriation of net income for the year ended December 31, 2020 and approval of the recommended dividend

The 1st and 2nd resolutions concern approval of the Company's 2020 financial statements and appropriation of net income for the year.

Shareholders are invited to approve the transactions reflected in the Company's income statement and balance sheet, as presented, and to appropriate net income for the year which amounts to €1,010,644,309.28.

After deducting €3,752,651.21 attributable to the General Partners in accordance with the Bylaws, the balance of €1,006,891,658.07 plus €1,862,506,112.41 in retained earnings brought forward from prior years represents a total of €2,869,397,770.48 available for distribution to shareholders.

We are recommending paying a 2020 dividend of €2.30 per share.

In order to qualify for the dividend payment, beneficiaries must be shareholders of record at midnight (CEST) on May 26, 2021 (the record date).

The ex-dividend date will be May 25, 2021.

The dividend will be paid as from May 27, 2021.

The amount of the dividend corresponding to the treasury shares held on the payment date will be allocated to retained earnings.

First resolution

(Approval of the Company financial statements for the year ended December 31, 2020)

Having considered the reports of the Managing Chairman, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the Company financial statements for the year ended December 31, 2020, which show net income for the period of €1,010,644,309.28.

The Ordinary Shareholders Meeting also approves the transactions reflected in these financial statements and referred to in these reports, including those relating to the various provision accounts.

Second resolution

(Appropriation of net income for the year ended December 31, 2020 and approval of the recommended dividend)

On the recommendation of the Managing Chairman (as approved by the Supervisory Board), the Ordinary Shareholders Meeting notes that the total amount available for distribution is as follows:

- net income for the year: €1,010,644,309.28;
- share of profits attributed to the General Partners in accordance with the Bylaws: €3,752,651.21;
- balance: €1,006,891,658.07;
- plus retained earnings brought forward from prior years: €1,862,506,112.41;
- total amount available for distribution: €2,869,397,770.48.

And resolves:

- to pay an aggregate dividend of: €410,182,197.80;
- representing €2.30 per share;
- to appropriate the balance of: €2,459,215,572.68 to retained earnings.

The dividend will be paid as from May 27, 2021.

The amount of the dividend corresponding to the treasury shares held on the payment date will be allocated to retained earnings.

(1) In French only.

For individual shareholders domiciled in France for tax purposes, the tax treatment of the dividend will be as follows:

- in application of Article 200-A of the French General Tax Code (*Code général des impôts*), dividends paid to individual shareholders domiciled in France for tax purposes are subject to a 30% flat tax (12.8% in respect of income tax and 17.2% for social security contributions). This flat tax does not discharge the individual from other tax liabilities;
- the 12.8% flat tax will be applied automatically unless the taxpayer makes an irrevocable election to pay income tax at the graduated rate on all dividend income. The election must be made each year, when the taxpayer's personal income tax return is filed;
- the two-step method of paying tax on dividends is maintained.

In accordance with Article 119 *bis* of the French General Tax Code, dividends paid to shareholders not domiciled in France for tax purposes are subject to withholding tax at the rate applicable to the country in which the shareholder is domiciled.

As required under Article 243 *bis* of the French General Tax Code, shareholders note that dividends paid for the past three years were as follows:

Year	Total dividend payout *(in €)*	Dividend per share* *(in €)*
2017	637,299,503.85	3.55
2018	665,436,238.40	3.70
2019	357,255,110.00	2.00

* *The full amount of the dividend was eligible for the 40% tax allowance provided for in Article 158-3-2° of the French General Tax Code.*

3rd resolution

Approval of the consolidated financial statements for the year ended December 31, 2020

The purpose of the 3rd resolution is to approve the consolidated financial statements for the year ended December 31, 2020, which show net income for the period of €625,442 thousand.

The 2020 Universal Registration Document, which can be downloaded from Michelin's website (www.michelin.com), contains an analysis of the consolidated financial statements and year-on-year changes.

Third resolution

(Approval of the consolidated financial statements for the year ended December 31, 2020)

Having considered the reports of the Managing Chairman, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the consolidated financial statements for the year ended December 31, 2020, which show net income for the period of €625,442 thousand.

4th resolution

Related-party agreements

As no related-party agreements were entered into during 2020, shareholders are invited to place on record that there are no such agreements to approve.

In addition, no related-party agreements entered into in previous years remained in force during 2020.

Fourth resolution

(Related-party agreements)

Having considered the Statutory Auditors' special report on related-party agreements governed by Article L. 226-10 of the French Commercial Code (*Code de commerce*), the Ordinary Shareholders Meeting approves said report and places on record that no such agreements requiring shareholder approval were entered into or were in force in 2020.

5th resolution

Authorization for the Managers to put in place a share buyback program, except during a public offer period, based on a maximum purchase price per share of €180

In the 5th resolution, shareholders are invited to renew the authorization for the Company to buy back its own shares over a period of 18 months on the same terms as the previous authorization. The maximum purchase price per share under this authorization would be €180 and the maximum number of shares purchased would represent less than 10% (ten percent) of the total shares outstanding at the time of the transaction(s).

This new resolution renews the authorization granted for the same purpose at the Annual Shareholders Meeting of June 23, 2020.

During 2020, the Company used the previous authorization to buy back and cancel 1,097,540 shares, resulting in a corresponding capital reduction. For details of the buybacks, see section 6.5.6 b) of the 2020 Universal Registration Document.

The proposed authorization could not be used during a public offer period.

This type of proposed resolution is explained in detail in Information Sheet 4, "*Share buybacks*", on page 36 of the MEDEF Guide, "Proposed resolutions submitted to the vote of shareholders of listed companies" available (in French only) at www.medef.com.

Fifth resolution

(Authorization for the Managers or any one of them to put in place a share buyback program, except during a public offer period, based on a maximum purchase price per share of €180)

Having considered the reports of the Managing Chairman and the Supervisory Board, as well as the description of the share buyback program drawn up in accordance with the requirements of the General Regulations of the AMF, the Ordinary Shareholders Meeting authorizes the Managers or any one of them, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, to put in place a program for the Company to buy back its own shares at a maximum purchase price per share of €180 (one hundred and eighty euros).

In the event of any corporate actions, such as a bonus share issue paid up by capitalizing reserves or a stock split or reverse stock split, the above maximum purchase price will be adjusted accordingly.

The number of shares that may be bought back under this authorization may not represent more than 10% (ten percent) of the total shares outstanding at the time of each transaction. The total number of shares that may be purchased for the purpose of maintaining a liquid market, as set out below, will be calculated after deducting the number of shares sold over the duration of the share buyback program. In addition, the Company may not hold more than 10% (ten percent) of its own share capital at any time.

Based on the share capital at December 31, 2020, the maximum amount invested in the program would not exceed €3,210,121,440 (three billion, two hundred and ten million, one hundred and twenty-one thousand, four hundred and forty euros), corresponding to 10% (ten percent) of the Company's share capital, or 17,834,008 (seventeen million, eight hundred and thirty-four thousand, and eight) shares purchased at the maximum price of €180 (one hundred and eighty euros) per share.

The objectives of the share buyback program are as follows:

- to purchase shares for sale or allocation to employees of Group companies in accordance with the conditions set down by law, including (i) on exercise of stock options, (ii) under performance share plans and (iii) by way of transfer and/or employer matching contributions, directly or indirectly, in connection with employee rights issues;
- to maintain a liquid market for the Company's shares through a liquidity contract complying with the Code of Ethics approved by the AMF;
- to purchase shares for allocation on exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- to purchase shares to be held and subsequently sold, exchanged or otherwise transferred in connection with external growth transactions. The maximum number of shares purchased for the purpose of being held and subsequently sold or exchanged in connection with a merger, de-merger or asset contribution shall not exceed 5% (five percent) of the Company's share capital;
- to implement any other market practices that may be authorized in the future;
- to acquire shares for cancellation under a shareholder-approved capital reduction.

The purchase, sale or transfer of shares may be effected at any time, except during a public offer period, and by any method, on the basis and within the limits prescribed by the laws and regulations in force on the transaction date(s), via regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, including through (i) block purchases or sales, (ii) public offers of purchase or exchange, (iii) the use of options or other forward financial instruments traded via regulated markets, multilateral trading facilities, systematic internalizers or over-the-counter, or (iv) the allocation of shares on conversion, redemption, exchange or exercise of securities carrying rights to the Company's shares or by any other means, either directly or via an investment services provider. The entire buyback program may be implemented through a block trade.

The Managers, or any one of them, shall have full powers – which may be delegated – to (i) place, buy and sell orders, (ii) enter into any and all agreements, (iii) make any and all filings, (iv) carry out all other formalities, (v) allocate or reallocate the purchased shares to any of the various purposes of the program and (vi) generally, do everything necessary to carry out the share buyback program.

This authorization shall be valid for a period of 18 months from the date of this Meeting.

6th and 7th resolutions

Compensation Policy for the Managers and the Supervisory Board members

Since 2014, the compensation awarded to the Managers and the Chairman of the Supervisory Board has been submitted to the shareholders at the Annual Meeting.

In addition, since 2018, the Supervisory Board prepares each year, with the General Partners for the part concerning the Managers, the Compensation Policy applicable to the Managers and the Chairman of the Supervisory Board. The 2020 policy is included in the Corporate Governance Report presented in section 3.4 of the 2019 Universal Registration Document.

The policy and the components of the compensation packages were presented to the corresponding Annual Shareholders Meetings by the Chair of the Compensation and Appointments Committee.

In 2021, the Company’s General Partners and Supervisory Board are submitting, to the Ordinary Shareholders Meeting for approval, the 2021 Compensation Policy for the Managers (6th resolution) and for the Supervisory Board (7th resolution).

The 2021 Compensation Policy and its main terms are described in the Corporate Governance Report presented in section 3.3 of the 2020 Universal Registration Document.

Sixth resolution

(Approval of the Compensation Policy applicable to the Managers)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-76 II of the French Commercial Code, approves the Compensation Policy applicable to the Managers, as presented in the Corporate Governance Report set out in sections 3.3.1 and 3.3.2 of the Company's 2020 Universal Registration Document.

Seventh resolution

(Approval of the Compensation Policy applicable to members of the Supervisory Board)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-76 II of the French Commercial Code, approves the Compensation Policy applicable to the members of the Supervisory Board, as presented in the Corporate Governance Report set out in sections 3.3.1 and 3.3.3 of the Company's 2020 Universal Registration Document.

8th, 9th, 10th, and 11th resolutions

Information about the compensation packages of the corporate officers and about the individual compensation paid or awarded to the Managers and the Chairman of the Supervisory Board in 2020

Since 2014, the General Partners and the Supervisory Board have submitted to the Annual Shareholders Meeting several proposed resolutions concerning the compensation paid or awarded to the Managers and the Chairman of the Supervisory Board.

In 2021, the General Partners and the Supervisory Board are submitting to the Annual Shareholders Meeting for approval:

- information about the components of the compensation paid or awarded to the corporate officers for 2020 (8th resolution);
- components of the individual compensation paid or awarded to the Managers and the Chairman of the Supervisory Board in 2020, in respect of their service during the year, *i.e.*, to:
  - Florent Menegaux, Managing General Partner and Managing Chairman (9th resolution),
  - Yves Chapot, General Manager (10th resolution),
  - Michel Rollier, Chairman of the Supervisory Board (11th resolution).

These compensation components have been determined in accordance with the principles described in the Compensation Policy presented in 2020 for that year in the Corporate Governance Report set out in section 3.4 of the 2019 Universal Registration Document.

Eighth resolution

(Approval of the disclosures concerning the compensation packages of the corporate officers)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-77 I of the French Commercial Code, approves the disclosures mentioned in Article L. 22-10-9 I of the Code, as presented in the Corporate Governance Report set out in sections 3.4.1 to 3.4.5 of the Company's 2020 Universal Registration Document.

Ninth resolution

(Approval of the components of the compensation paid or awarded to Florent Menegaux for the year ended December 31, 2020)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-77 II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2020 or awarded in respect of that year to Florent Menegaux, Managing General Partner and Managing Chairman, as presented in the Corporate Governance Report set out in section 3.5.2 of the Company's 2020 Universal Registration Document.

Tenth resolution

(Approval of the components of the compensation paid or awarded to Yves Chapot for the year ended December 31, 2020)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-77 II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2020 or awarded in respect of that year to Yves Chapot, General Manager, as set out in section 3.5.3 of the Company's 2020 Universal Registration Document.

Eleventh resolution

(Approval of the components of the compensation paid or awarded to Michel Rollier for the year ended December 31, 2020)

Having noted the agreement of the General Partners and considered the report of the Supervisory Board, the Annual Shareholders Meeting, in application of Article L. 22-10-77 II of the French Commercial Code, approves the fixed, variable and exceptional compensation making up the total compensation and fringe benefits paid during the year ended December 31, 2020 or awarded in respect of that year to Michel Rollier, Chairman of the Supervisory Board, as set out in section 3.5.1 of the Company's 2020 Universal Registration Document.

12th and 13th resolutions: ratification of the appointment of a Supervisory Board member and election of a new member

The 12th and 13th resolutions concern the ratification of the appointment of a Supervisory Board member and the election of a new member.

Michelin’s Supervisory Board plays a vital role for the Group

The current members of Michelin's Supervisory Board are Barbara Dalibard, Anne-Sophie de La Bigne, Aruna Jayanthi, Monique Leroux, Delphine Roussy, Jean-Pierre Duprieu, Patrick de La Chevardière, Jean-Christophe Laourde, Thierry Le Hénaff, Michel Rollier and Jean-Michel Severino.

The members elected by the Annual Shareholders Meeting all have very solid business experience acquired through working with leading corporations, as well as a good knowledge of the Michelin Group. They actively participate in and contribute to the work of both the Board and its Committees, as illustrated by the 100% overall attendance rate for meetings held in 2020.

The Supervisory Board members perform their duties with total freedom of judgment.

A summary of the work carried out by the Supervisory Board in 2020 is included in section 3.2 of the Corporate Governance Report presented in this 2020 Universal Registration Document.

Michelin’s General Partners do not take part in the election of Supervisory Board members

Michelin is a partnership limited by shares *(société en commandite par actions)* and, as such, its Supervisory Board is entirely made up of non-executive members (nearly 78% of whom are independent) who represent the shareholders.

With a view to clearly separating management and supervisory powers, none of the General Partners may play a role in the nomination process, whether the Managing General Partner or the Non-Managing General Partner, SAGES (which is responsible for ensuring the Company's continuity of leadership).

The General Partners may not be involved in decisions to recommend candidates for election to the Supervisory Board at Shareholders Meetings.

Likewise, in accordance with the law and the Company's Bylaws, the General Partners may not take part in any votes cast at Shareholders Meetings concerning the election or re-election of Supervisory Board members and their shares are not included in the quorum for the related resolutions.

The Supervisory Board is recommending that shareholders ratify the Board's decision to appoint one member and elect one new member

Due to the appointment to the Board of Jean-Michel Severino, decided by the Supervisory Board following the resignation of Cyrille Poughon, and Michel Rollier’s decision not to stand for re-election to the Board, the Supervisory Board decided by a unanimous vote (excluding the persons concerned, who abstained) to ask the Managing Chairman to invite the Annual Shareholders Meeting to:

- ratify the appointment to the Supervisory Board of Jean-Michel Severino, decided by the Board in 2020 to replace Cyrille Poughon following his resignation (12th resolution);
- elect Wolf-Henning Scheider to the Supervisory Board to replace Michel Rollier (13th resolution).

The candidate review and selection process, the criteria applied by the Compensation and Appointments Committee and a presentation of the candidates are set out in the report of the Supervisory Board on the proposed resolutions (see the Notice of Meeting for the 2021 Annual Shareholders Meeting and section 7.2 of the 2020 Universal Registration Document).

Twelfth resolution

(Ratification of the appointment of Jean-Michel Severino as a member of the Supervisory Board)

Having considered the reports of the Managing Chairman and the Supervisory Board, the Ordinary Shareholders Meeting ratifies the decision of the Supervisory Board at its meeting on November 12, 2020 to replace Cyrille Poughon, who had resigned, by appointing Jean-Michel Severino as a member of the Supervisory Board for the remainder of his predecessor's term of office expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2021.

Thirteenth resolution

(Election of Wolf-Henning Scheider as a member of the Supervisory Board)

Having considered the reports of the Managing Chairman and the Supervisory Board, the Ordinary Shareholders Meeting elects Wolf-Henning Scheider as a member of the Supervisory Board for a four-year term expiring at the close of the Annual Shareholders Meeting to be called to approve the financial statements for the year ending December 31, 2024.

7.1.2 EXTRAORDINARY RESOLUTIONS (14TH TO 17TH RESOLUTIONS)

14th resolution

Authorization for the Managers to reduce the Company's capital by canceling shares.

In the fourteenth resolution, shareholders are invited to authorize the Managers, or any one of them, for a period of 24 months, to reduce the Company's capital by canceling treasury shares purchased under shareholder-approved buyback programs.

This authorization would replace the authorization granted for the same purpose at the Annual Shareholders Meeting of June 23, 2020 (24th resolution).

During 2020, the Company used the previous authorization to buy back and cancel 1,097,540 shares, resulting in a corresponding capital reduction. For details of the buybacks, see section 6.5.6 b) of the 2020 Universal Registration Document.

A detailed explanation of this type of proposed resolution is provided in Information Sheet 5.9, "*Authorizations to carry out capital reductions*", on page 59 of the MEDEF Guide "Proposed resolutions submitted to the vote of shareholders of listed companies", available (in French only) at www.medef.com.

Fourteenth resolution

(Authorization for the Managers or any one of them to reduce the Company's capital by canceling shares)

Having considered the report of the Managing Chairman, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to authorize the Managers or any one of them to:
  - cancel, at their sole discretion, on one or more occasions, all or some of the shares purchased under shareholder-approved buyback programs, provided that the number of shares canceled does not exceed 10% (ten percent) of the Company's capital;
  - charge the difference between the cost of the canceled shares and their par value against any available premium or reserve account;
- to grant the Managers, or any one of them, full powers – which may be delegated in accordance with the law – to (i) carry out the capital reduction(s) following the cancellation(s) of shares authorized under this resolution, (ii) make the corresponding accounting entries, (iii) amend the Bylaws to reflect the new capital and (iv) generally, carry out all necessary formalities.

This authorization shall be valid for a period of 24 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

15th and 16th resolutions

Amendments to the Bylaws concerning the financial rights of the General Partners and the terms of the Managers' compensation

In light of the General Partners' unlimited several personal liability for the Company's debts, the Managing General Partner(s) and the Non-Managing General Partner, SAGES, are entitled to a share of annual profit (the "Profit Share") determined on the basis defined in the Company's Bylaws.

Each year, the General Partners decide on the cap to be applied to the Profit Share attributed to the Managing General Partner(s), which constitutes the variable annual compensation of the Managing General Partner(s). The Supervisory Board defines the performance criteria and objectives applicable to this variable annual compensation of the Managing General Partner(s).

The compensation of the Managing General Partner(s) is also subject to shareholder approval in accordance with the applicable regulations, based on regulatory conditions.

The purpose of the 15th and 16th resolutions is to amend Articles 30 and 12 of the Company's Bylaws to modify the characteristics of the Profit Share. The main proposed changes are as follows:

- the Profit Share calculation formula would be simplified by deleting references to the Company's net income and to the dividends paid by the Company's two main subsidiaries, with the total Profit Share due to the General Partners continuing to be capped at 0.6% of consolidated net income for the year;
- the Bylaws would stipulate that the portion of the Profit Share attributable to the Managing General Partner(s) will be determined by reference to the objectives set in advance by the Supervisory Board;
- the portion of the Profit Share attributable to the Non-Managing General Partner, SAGES, would be equal to the amount attributable to the Managing General Partner(s), and no longer correspond to the balance of the Profit Share not attributed to the Managing General Partner(s);
- the Bylaws would stipulate that free shares may be awarded to the Managers, regardless of whether they are General Partners.

Fifteenth resolution

(Amendments to the Bylaws concerning the financial rights of the General Partners)

Having considered the reports of the Managing Chairman and the Supervisory Board and having noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves, subject to adoption of the sixteenth resolution:

- to amend the characteristics of the General Partners' compensation paid out of net income so that their combined share of annual net income is capped at 0.6% of consolidated net income for the year, provided that the Profit share attributable to the Managing General Partner(s) shall be determined in accordance with the Bylaws as amended by the sixteenth resolution, and that the share attributable to the Non-Managing General Partner shall be equal to the amount attributable to the Managing General Partner(s);
- to amend the third, fourth and fifth paragraphs of Article 30 of the Bylaws as follows:

Old wording:	New wording:
Once this deduction is made, an amount shall be allocated among the General Partners, whether Managers or not, equal to 12% of the net profits for the financial year, as defined in sub-paragraph 1 above, after deducting from said net profits all sums included therein corresponding to annual profits or reserves distributed by the *Manufacture Française des Pneumatiques Michelin* and *Compagnie Financière Michelin* to their Shareholders. However, these sums may not exceed 0.6% of the consolidated net income of the financial year, any difference being added back to the profit to be appropriated. The amount so granted will be allocated among the General Partners, whether Managers or not, in such proportions as the General Partner(s) shall decide.	Once this deduction is made, a portion of net income for the year shall be allocated among the General Partners, whether Managers or not, provided that: (i) the portion of net income attributable to the Managing General Partner(s) as compensation shall be determined in accordance with the above Article 12; and (ii) the portion of net income attributable to the Non-Managing General Partner shall be equal to the amount attributable to the Managing General Partner(s) in whatever form (including the amount corresponding to the book value of exercisable stock options or shares acquired as provided for in sub-paragraph 3 in the above Article 12) during the year concerned; (iii) this portion of net income for the year may however not exceed the limit of 0.6% of consolidated net income of the financial year. If the portion of net income for the year attributable to the Managing General Partner(s) and the Non-Managing General Partner represents less than the above maximum, the balance shall be allocated to income available for appropriation; if the attributable portion exceeds this maximum, the excess shall be deducted first from the portion attributable to the Non-Managing General Partner and then, if necessary, from the portion attributable to the Managing Partner(s) pro rata to their respective theoretical compensation. If a Managing General Partner dies or is prevented from performing his or her duties during a given year, the portion of net income for that year attributable to the Managing General Partner concerned and the Non-Managing General Partner shall be determined by common agreement between the Managing General Partner(s), if any, the Non-Managing General Partner and the Supervisory Board in accordance with the above principles and limit. If there is no Managing General Partner over a whole year, the portion of net income for that year attributable to the Non-Managing General Partner shall be equal to the portion received by the Non-Managing General Partner for the previous year, within the limit of 0.3% of consolidated net income for the year.

Sixteenth resolution
(Amendments to the Bylaws concerning the terms of the General Partners' compensation)

Having considered the reports of the Managing Chairman and the Supervisory Board and having noted the approval of each of the General Partners, the Extraordinary Shareholders Meeting resolves, subject to adoption of the fifteenth resolution:

- to clarify the Supervisory Board's role in the process for determining the Managers' compensation;
- to clarify that the Managers, regardless of whether they are General Partners, may participate in the Company's free share plans;
- consequently, to amend the first, second and third paragraphs of Article 12 of the Bylaws as follows:

Old wording:	New wording:
In consideration of their duties, the Managing General Partner(s) shall be entitled to compensation appropriated from the portion of the profits awarded globally to all General Partners, both Managing General Partners and Non-Managing General Partners, pursuant to Articles 30 and 35 hereinafter, up to a percentage that will be set by mutual agreement of the sole General Partners, whether they be Managing General Partners or Non-Managing General Partners, after consulting the Supervisory Board. Furthermore, the General Managers will be granted by the Company a compensation set each year by unanimous decision of the General Partners, whether they be Managing General Partners or Non-Managing General Partners, after consulting the Supervisory Board. Moreover, the Managing General Partner(s) and the General Manager(s) shall be entitled, upon unanimous proposal of the General Partners, to be granted options to subscribe or to purchase shares of the Company, under option plans provided by the Company, after consulting the Supervisory Board by the General Partners.	In consideration of their duties and responsibilities, the Managing General Partner(s) shall be entitled to compensation appropriated from the portion of the profits awarded globally to all General Partners, both Managing General Partners and Non-Managing General Partners, pursuant to Article 30 hereinafter, up to a percentage that will be set by mutual agreement of the sole General Partners, whether they be Managing General Partners or Non-Managing General Partners, after consulting the Supervisory Board and by reference to the objectives set in advance by the Supervisory Board based on the proposal of the Managing General Partner(s). Furthermore, the General Managers will be granted by the Company a compensation set each year by unanimous decision of the General Partners, whether they be Managing General Partners or Non-Managing General Partners, based on a discussion by the Supervisory Board. Moreover, the Managing General Partner(s) and the General Manager(s) shall be entitled, upon unanimous proposal of the General Partners, to be granted free shares or options to subscribe or to purchase shares of the Company, under stock grant or option plans provided by the Company, after consultation of the Supervisory Board by the General Partner(s).

17th resolution

Powers to carry out formalities

The seventeenth resolution gives powers to carry out the formalities related to the Shareholders Meeting.

Seventeenth resolution
(Powers to carry out formalities)

The shareholders give full powers to the bearer of an original, copy or extract of the minutes of this Ordinary and Extraordinary Shareholders Meeting to carry out all legal and administrative formalities and to make all filings and publish all notices required by the applicable laws.

SUMMARY OF FINANCIAL AUTHORIZATIONS SUBMITTED FOR SHAREHOLDER APPROVAL

Corporate action	Applicable ceilings *(nominal amount)*	Duration *(expiration date)*
Capital reduction by canceling shares *(14th resolution)*	10% of the issued capital	24 months *(May 2023)*
Share buyback program *(5th resolution)*	17.8 million shares at a maximum price of €180 per share	18 months *(November 2022)*

7.2 REPORT OF THE SUPERVISORY BOARD: RECOMMENDATIONS CONCERNING THE VOTES ON THE PROPOSED RESOLUTIONS

7.2.1 RATIFICATION OF THE APPOINTMENT OF A SUPERVISORY BOARD MEMBER (12TH AND 13TH RESOLUTIONS)

In November 2020, following the resignation of Cyrille Poughon, the Supervisory Board decided to appoint Jean-Michel Severino to the Board subject to ratification at the next Shareholders Meeting (12th resolution).

The Supervisory Board members would like to thank Cyrille Poughon, who had been a member since May 16, 2014 and who was the first employee to sit on the Board, for his contribution to the work of the Board and its Audit Committee over the last six years.

The term of office of Michel Rollier, Chairman of the Supervisory Board, expires at the close of the Annual Shareholders Meeting to be held on May 21, 2021.

At the Michelin Corporate Governance conference held on December 7, 2020, Michel Rollier announced that he did not intend to stand for re-election and that the Supervisory Board had unanimously chosen Barbara Dalibard to succeed him as Chair of the Board when he steps down.

The Supervisory Board unanimously thanks Michel Rollier for his exceptional contribution to the Board's work during his eight years of membership. Drawing on his deep knowledge of the automotive sector, he consistently made very valuable, lively contributions to the Board's discussions. He also modernized Michelin's governance by sharing with the Supervisory Board his expertise gained as a member of France's *Haut Comité du Gouvernement d'Entreprise*. Added to this, his values and people skills helped to ensure that under his leadership the Supervisory Board's discussions were always open, efficient and harmonious.

The Compensation and Appointments Committee has decided to recommend Wolf-Henning Scheider as a new member of the Supervisory Board to replace Michel Rollier. This is the purpose of the 13th resolution.

Ratification of the appointment of a Supervisory Board member

Jean-Michel Severino

Investisseurs et Partenaires - 9, rue Notre Dame des Victoires - 75002 Paris - France.

Jean-Michel Severino, a French national, was born in 1957. Since 2011, he has been CEO of Investisseurs et Partenaires (I&P), a fund management team specializing in financing for African SMEs.

He is a director and Chairman of the Audit Committee at Danone[1] and a director and member of the Audit Committee at Orange[1].

He is also a Senior Fellow and director at the Foundation for Studies and Research on International Development (FERDI) and a member of the French Academy of Technologies.

A former student of *École Nationale d'Administration*, Jean-Michel Severino graduated from ESCP Business School and *Institut d'Études Politiques* in Paris, and has a master's degree in economics and a bachelor's in law.

He has been an independent member of the Supervisory Board and a member of the CSR Committee since November 2020.

The Supervisory Board considered that Jean-Michel Severino qualified as an independent member[2] because:

- he does not have any close family ties with either the Managers or any member of the Supervisory Board;
- he is not currently and never has been an employee of Michelin or any of its subsidiaries;
- he has not been a member of the Supervisory Board for more than 12 years;
- he is not an executive officer of a company in which Michelin, directly or indirectly, has a seat on the Board, or in which an executive officer of Michelin has a seat on the Board;
- he has not been an auditor of Michelin in any of the past five years;
- he is not a shareholder or an executive officer of SAGES, one of Michelin's General Partners;
- he is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin.

The Supervisory Board is inviting shareholders to ratify his appointment, considering:

- his expertise, especially in the areas of social environment, human resources and governance;
- his good knowledge of the world of manufacturing;
- his international experience;
- the fact that he is an independent member of the Board and has no conflicts of interest.

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to recommend that shareholders ratify Jean-Michel Severino's appointment to the Board for one year, corresponding to the remaining term of his predecessor, Cyrille Poughon. Mr. Severino did not take part in the decision.

As of the date of publication of this report, Jean-Michel Severino holds 400 Michelin shares, corresponding to the number of shares required for each member of the Supervisory Board and as indicated in the internal rules.

(1) Listed company.

(2) A detailed discussion of Supervisory Board members' independence is provided in section 3.2.6 of the 2020 Universal Registration Document.

Election of a new Supervisory Board member

To strengthen the composition of its team and in light of Michel Rollier's decision to step down from the Board, the Supervisory Board asked the Compensation and Appointments Committee to define a candidate search strategy based on best practices. The Committee assigned the initial selection process to a leading independent recruitment firm, which shortlisted a certain number of potential candidates.

After examining these candidates' profiles in detail, the Committee decided to recommend Wolf-Henning Scheider for election.

Wolf-Henning Scheider

Michelin – 27, cours de l'Île-Seguin – 92100 Boulogne-Billancourt – France

Wolf-Henning Scheider was born in 1962 and is a German national. Since 2018, he has been Chief Executive Officer of ZF Friedrichshafen AG, a German group that is a global leader in automotive, transportation and mobility technologies.

He studied at Saarbruck University and at RWTH Aachen University, graduating in Business Administration and Economics. He began his career with the Bosch Group, holding various management positions in Germany and several other countries, including France where he spent over four years. Between 2010 and 2015, he served as a member of the Executive Committee of Robert Bosch GmbH, with overall responsibility for the Automotive group, OEM sales, and Group Sales and Marketing. From 2015 to 2018, he was Chief Executive Officer of the Mahle group. The Compensation and Appointments Committee considered that his profile would represent an ideal addition to the skills and expertise represented on the Board and that, in particular, he would contribute to the Supervisory Board:

- his knowledge of the automotive sector and sustainable mobility;
- his knowledge of the world of manufacturing;
- his managerial experience within major international groups;
- his desire to participate in a committed and engaged manner in the work of the Board and its Committees by ensuring that he is available as needed;
- an absence of conflicts of interest with the Company.

The Supervisory Board considered that Wolf-Henning Schneider qualified as an independent member because:

- he does not have any close family ties with either the Managers or any member of the Supervisory Board;
- he is not currently and never has been an employee of Michelin or any of its subsidiaries;
- he has not been a member of the Supervisory Board for more than 12 years;
- he is not an executive officer of a company in which Michelin, directly or indirectly, has a seat on the Board, or in which an executive officer of Michelin has a seat on the Board;
- he has not been an auditor of Michelin in any of the past five years;
- he is not a shareholder or an executive officer of SAGES, one of Michelin's General Partners;
- he is not a customer, supplier or banker that is material for Michelin or that derives a significant portion of its business from Michelin.

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board has decided to recommend that Wolf-Henning Scheider be elected for a four-year term.

Wolf-Henning Scheider agreed to be a candidate for election and confirmed his willingness to join the Supervisory Board.

Expiration Dates of Supervisory Board members' terms of office

After the Annual Shareholders Meeting, assuming the shareholders elect the members standing for election and re-election, the expiration dates of the Supervisory Board members' terms of office will be effectively staggered, as follows:

	2022 AGM	2023 AGM	2024 AGM	2025 AGM
Barbara Dalibard		X		
Jean-Pierre Duprieu			X	
Aruna Jayanthi		X		
Patrick de La Chevardière			X	
Anne-Sophie de La Bigne			X	
Jean-Christophe Laourde			X(1)	
Thierry Le Hénaff	X			
Monique Leroux	X			
Delphine Roussy			X(1)	
Wolf-Henning Scheider				X
Jean-Michel Severino	X			
NUMBER OF TIMES RE-ELECTED BY THE AGM	**3**	**2**	**3**	**1**

(1) Appointed pursuant to the Bylaws and not elected by the shareholders.

7.2.2 APPROVAL OF THE COMPENSATION OF THE CORPORATE OFFICERS, AMENDMENT OF THE BYLAWS CONCERNING THE GENERAL PARTNERS' FINANCIAL RIGHTS AND THE TERMS OF THE MANAGERS' COMPENSATION (6TH TO 11TH, 15TH AND 16TH RESOLUTIONS)

The policy and the components of the corporate officer compensation packages were presented to the corresponding Annual Shareholders Meetings by the Chair of the Compensation and Appointments Committee.

In 2021, the General Partners and the Supervisory Board are submitting to the Annual Shareholders Meeting for approval:

- the 2021[1] Compensation Policy applicable to (i) the Managers (6th resolution) and (ii) the Supervisory Board (7th resolution);
- the information about the compensation of the Managers and the Chairman of the Supervisory Board (8th resolution) and the individual compensation paid or awarded to them (9th to 11th resolutions) for 2020[2].

In addition, following a review by the Compensation and Appointments Committee of the General Partners' proposal to amend the General Partners' financial rights and the terms of the Managers' compensation as specified in the Bylaws, and on the Committee's recommendation, the Supervisory Board decided to issue a favorable opinion concerning these proposals (12th and 13th resolutions).

We recommend that shareholders adopt the corresponding resolutions.

7.2.3 APPROVAL OF THE FINANCIAL STATEMENTS, RELATED-PARTY AGREEMENTS AND FINANCIAL AUTHORIZATIONS (1ST TO 5TH AND 14TH RESOLUTIONS)

Concerning the other ordinary resolutions, the accounting and financial information communicated to shareholders and the Managing Chairman's report present the Group's operations and results for 2020 (for the purposes of the 1st, 2nd and 3rd ordinary resolutions).

We have no comments on the Statutory Auditors' reports on the financial statements.

As no new related-party agreements requiring shareholder approval were entered into in 2020, you are asked to place on record that there are no such agreements to approve (4th resolution).

Before asking shareholders to approve the financial statements of the Company, the consolidated financial statements and the proposed appropriation of net income, we would like to underscore the Group's high-quality response to the unprecedented crisis, that was deployed without sacrificing its long-term objectives.

These good performances lead us to reaffirm our confidence in the Managers.

They also lead us to support the Managing Chairman's recommendation to set the dividend at €2.30 per share (2nd resolution).

The Company wishes to renew its share buyback program on the same terms as for the previous program (5th resolution).

An authorization to cancel shares bought back under the program is also being sought to replace the authorization granted in 2020 which was used by the Company during the year (14th extraordinary resolution).

We recommend that shareholders adopt the proposals submitted by the Managing Chairman for their approval by voting in favor of the corresponding ordinary and extraordinary resolutions.

February 12, 2021

The Supervisory Board

(1) *Detailed policy described in the Supervisory Board's Corporate Governance Report, see section 3.4 of the 2020 Universal Registration Document.*
(2) *Detailed disclosures in the Supervisory Board's Corporate Governance Report, see sections 3.5 to 3.7 of the 2020 Universal Registration Document.*

7.3 STATUTORY AUDITORS' REPORTS

7.3.1 STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION

This is a free translation into English of the Statutory Auditors' report issued in French and it is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required by French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Combined Shareholders' meeting of May 21, 2021 – 14th resolution

To the Compagnie Générale des Établissements Michelin Shareholders' meeting,

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin and pursuant to Article L. 22-10-62 of the French Commercial Code (*Code de commerce*) concerning capital reductions carried out by canceling bought-back shares, we hereby present our report on our assessment of the reasons for and terms of the proposed capital reduction(s).

Your Managing Chairman has proposed that you delegate to the Managing Partners, or to one of them, for a period of 24 months as of the date of this Meeting, the authority to cancel, on one or more occasions, for up to 10% of the share capital per 24-month period, the bought-back shares of your Company, as authorized under the aforementioned article.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*), for this type of engagement. Those procedures consisted of examining whether the reasons for and the terms of the proposed capital reduction were reasonable.

We have nothing to report concerning the reasons for and the terms of the proposed capital reduction.

Neuilly-sur-Seine and Paris-La Défense, April 2, 2021

Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Frédéric Gourd

7.3.2 OTHER STATUTORY AUDITORS' REPORTS

The Statutory Auditors' reports to the Annual Shareholders Meeting of May 21, 2021 that are not presented below can be found in the following sections of this Universal Registration Document:

- Report on the Company financial statements: in section 5.3.3;
- Special report on related-party agreements and commitments: in section 5.3.4;
- Report on the consolidated financial statements: in section 5.2.2;
- Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated environmental, labor and social information presented in the management report: in section 4.2.3.

08. TABLES OF CONCORDANCE

8.1 TABLE OF CONCORDANCE FOR THE UNIVERSAL REGISTRATION DOCUMENT

In order to make the Universal Registration Document easier to navigate, the following table cross-references the key information required under Annex 1 of European Regulation No. 2019/980 supplementing European Regulation No. 2017/1129.

Section headings provided under Annex 1 of Commission Delegated Regulation (EU) No. 2019/980	Pages
1. Persons responsible for the Universal Registration Document	5.4.1
2. Statutory Auditors	5.4.2
3. Risk factors	2
4. Information about the issuer	6.1
5.1. Principal activities	1
5.2. Principal markets	5.1.1; 5.1.2
5.3. Important events	5.1.8
5.4. Strategy and objectives	1
5.5. Extent of dependence on patents, licenses, industrial, commercial or financial contracts or new manufacturing processes	N/A
5.6. Basis for any statements by the issuer regarding its competitive position	5.1.1
5.7. Investments	5.1.5 b); 5.1.5 c)
6.1. Brief description of the Group	6.1
6.2. List of significant subsidiaries	5.2 (note 36) 5.3 (note 21)
7.1. Financial condition	5.1
7.2. Operating results	5.1.3
8.1. Information concerning capital resources	5.1.4; 5.1.6; 5.2; 6.5.1
8.2. Sources and amounts of cash flows	5.1.4; 5.1.5; 5.2
8.3. Information on borrowing requirements and funding structure	5.1.4; 5.2 (note 26)
8.4. Restrictions on the use of capital resources that have materially affected, or could materially affect the Company	N/A
8.5. Anticipated sources of funds needed to fulfill Management's firm commitments and planned property, plant and equipment	N/A
9. Regulatory environment	5.1.1 a)
10. Trend information	5.1.7
11. Profit forecasts or estimates	5.1.7 a)
12.1. Information on the members of the administrative, management and supervisory board	3.1; 3.2
12.2. Conflicts of interest	3.1.5; 3.2.6
13.1. Remuneration and benefits in kind	3.3; 3.5
13.2. Total amounts set aside or accrued to provide pension, retirement or similar benefits	3.3; 3.5
14.1. Date of expiration of current terms of office	3.1
14.2. Service contracts to which members of the administrative, management and supervisory board are bound	3.1.5
14.3. Information on the Committees	3.2.9; 3.2.10
14.4. Statement of compliance with the applicable corporate governance regime	N/A
14.5. Potential material impacts on corporate governance	3.1
15.1. Number of employees	4.1.2.4; 5.1.3 c)
15.2. Corporate officer shareholdings and stock options	4.1.2.3 b); 6.5.3
15.3. Arrangements for involving the employees in the capital	4.1.2.3 b)
16.1. Shareholders holding more than 5% of the share capital or voting rights	3.11
16.2. Statement as to whether shareholders have different voting rights	3.10.6; 3.11; 6.2.4; 6.3
16.3. Control over the issuer	3.11
16.4. Arrangement, known to the issuer, the implementation of which may at a subsequent date result in a change in control	3.13

Section headings provided under Annex 1 of Commission Delegated Regulation (EU) No. 2019/980	Pages
17. Related party transactions	5.2 (note 34)
18.1. Historical financial information	5.2; 5.3
18.2. Interim and other financial information	N/A
18.3. Auditing of historical financial information	5.2.2; 5.3.3
18.4. Pro forma financial information	5.2; 5.3
18.5. Dividend policy	6.2.3
18.6. Legal and arbitration proceedings	5.2 (note 32.2.2)
18.7. Significant change in the issuer's financial position	5.1.11
19.1. Share capital	6.5
19.1.1. Issued capital and authorized capital	6.5
19.1.2. Shares not representing capital	N/A
19.1.3. Shares held by the issuer or its subsidiaries	6.5.6; 6.5.7
19.1.4. Convertible securities, exchangeable securities or securities with warrants	6.5.3
19.1.5. Acquisition rights and/or obligations attached to authorized but unissued capital, or any undertaking to increase the capital	6.5
19.1.6. Options on the capital relating to members of the Group	6.5.3
19.1.7. A history of share capital	6.5.1
19.2. Articles of incorporation and bylaws	3.10; 6.1
19.2.1. Register and corporate purpose	3.10
19.2.2. Rights, preferences and restrictions attached to shares	3.10
19.2.3. Previsions that could delay, defer or prevent a change in control	N/A
20. Material contracts	5.1.9
21. Documents available	6.4

8.2 TABLE OF CONCORDANCE FOR THE ANNUAL FINANCIAL REPORT

In order to make the Annual Financial Report easier to navigate, the following table cross-references the key information required by Article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and Article 222-3 of the AMF General Regulations.

Section headings provided under Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations	Pages
1. 2020 annual financial statements	5.3
2. 2020 consolidated financial statements	5.2
3. 2020 Report of the Managers	8.4
4. Statement by the person responsible for the 2020 Annual Financial Report	5.4.1
5. Statutory Auditors' report on the 2020 Annual Financial Statements	5.3.3
6. Statutory Auditors' Report on the 2020 consolidated financial statements	5.2.2
7. Fees paid to the Statutory Auditors	5.2 (note 37)

8.3 TABLE OF CONCORDANCE WITH THE AMF TABLES ON CORPORATE OFFICER COMPENSATION

The following cross-reference table has been drawn up in order to put information on compensation into perspective with regard to the breakdown of such information in the 11 tables recommended by the AMF in its guide for the preparation of Universal Registration Documents published on January 8, 2021 (see also the AFEP-MEDEF Code).

Remuneration tables in the AMF recommendations	3.6.1
Table 1 Summary of compensation, options and shares granted to each executive officer	3.6.1.1
Table 2 Summary of compensation paid to each executive officer	3.6.1.2; 3
Table 3 Directors' fees and other compensation received by the non-executive officers	3.6.1.4
Table 4 Stock options granted during the year to executive officers by the issuer and any other Group company	3.6.1.5
Table 5 Stock options exercised during the year by the executive officers	3.6.1.6
Table 6 Performance shares granted to the executive officers	3.6.1.7
Table 7 Performance shares that became available to each corporate officer	3.6.1.8
Table 8 History of stock option grants	3.6.1.9; 6.5.3 a)
Table 9 Stock options granted to and exercised by the ten employees other than executive officers who received the greatest number of options	3.6.1.10; 6.5.4 a)
Table 10 Past awards of free shares	3.6.1.11; 3.6.2
Table 11 Commitments related to the termination of the duties of an executive officer.	3.6.1.12

8.4 TABLE OF CONCORDANCE FOR THE MANAGEMENT REPORT

To make the Management Report easier to navigate, the following table cross-references the key information required by Articles L. 225-100 *et seq.*, L. 22-10-35 and L. 22-10-36, L. 232-1 and R. 225-102 *et seq.* of the French Commercial Code, as well as the specific section of the Management Report dedicated to corporate governance, pursuant to sub-paragraph 6 of Article L. 225-37 *et seq.* and Article L. 22-10-8 *et seq.* of the French Commercial Code.

Section headings of the 2020 Management Report	Reference text	Section/Page(s)
Position and activity of the Group in 2020		
Position of the Company over the year and objective and comprehensive analysis of the changes in business, results and financial position of the Company and the Group, in particular its debt situation, in relation to the volume and complexity of its business	L. 225-100-1, I-1°, L. 232-1, II, L. 233-6 and L. 233-26 of the French Commercial Code	5.1
Key financial performance indicators	L. 225-100-1, I-2 of the French Commercial Code	1; 5.1
Key non-financial performance indicators relating to the Company's and the Group's specific operations	L. 225-100-1, I-2 of the French Commercial Code	1; 5.1.12
Material events arising since the beginning of the business period 2021	L. 232-1, II and L. 233-26 of the French Commercial Code	5.1.7 b); 5.1.11
Foreseeable change in the situation of the Company and the Group and future prospects	L. 232-1, II and L. 233-26 of the French Commercial Code	5.1.7 a)
Names of the major shareholders and holders of voting rights at Shareholders Meetings, and changes during the year	L. 233-13 of the French Commercial Code	3.11; 6.2.4; 6.5
Existing branches	L. 232-1, II of the French Commercial Code	5.2 (note 36); 6.1
Significant shareholdings in companies with their registered office in France	Article L. 233-6 paragraph 1 of the French Commercial Code	5.2 (note 36)
Disposals of cross-shareholdings	Articles L. 233-29, L. 233-30 and R. 233-19 of the French Commercial Code	N/A
Research and development activity	Articles L. 232-1, II and L. 233-26 of the French Commercial Code	5.1.3 c)
Table of the Company's financial results over each of the last five years	Article R. 225-102 of the French Commercial Code	5.1.14
Information on payment deadlines for suppliers and clients	Article D. 441-4 of the French Commercial Code	5.1.10
Amount of inter-company loans granted and the Statutory Auditor's statement	Articles L. 511-6 and R. 511-2-1-3 of the French Monetary and Financial Code (*Code monétaire et financier*).	N/A
Internal control and risk management		
Description of the main risks and contingencies to which the Company is exposed	L. 225-100-1, I-3 and 4 of the French Commercial Code	2.1
Information on financial risks linked to climate change and measures taken to reduce them by implementing a low-carbon strategy throughout all components of the business	L. 22-10-35, 1 of the French Commercial Code	2.1 (Risque 1)
Main internal control and risk management procedures put in place by the Company and by the Group, in particular those relating to the preparation and processing of accounting and financial information	L. 22-10-35, 2 of the French Commercial Code	2.3
Information on the objectives and policy regarding the hedging of each major category of transactions and the exposure to price, credit, liquidity and cash risks, including the use of financial instruments	Article L. 225-100-1., 4 of the French Commercial Code	5.2 (notes 16, 20, 23, 33)
Anti-bribery and corruption system	French Act no. 2016-1691 of 9 December 2016 ("Sapin II")	4.1.1.2
Duty of care plan and report on its effective implementation	Article L. 225-102-4 of the French Commercial Code	5.1.13

Section headings of the 2020 Management Report	Reference text	Section/Page(s)
Corporate governance		
Information on remuneration		
Remuneration policy for corporate officers	Article L. 22-10-8, I., paragraph 2 of the French Commercial Code	3.3.1
Remuneration and benefits in kind paid during the financial year or granted in respect of the financial year to each corporate officer	Article L. 22-10-9, I., 1 of the French Commercial Code	3.4
Relative proportion of fixed and variable remuneration	Article L. 22-10-9, I., 2 of the French Commercial Code	3.4.3.2; 3.4.4.2
Possibility to request repayment of variable remuneration	Article L. 22-10-9, I., 3 of the French Commercial Code	N/A
Commitments of any kind entered into by the Company for the benefit of its corporate officers concerning the remuneration, compensation and benefits that would be due or potentially due at the time of or following their appointment, loss of office or change in position	Article L. 22-10-9, I., 4 of the French Commercial Code	3.6.1.12
Remuneration paid or allocated by a company included in the scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code	Article L. 22-10-9, I., 5 of the French Commercial Code	3.4
Ratios between the level of remuneration of each executive corporate officer and the average and median remuneration of company employees	Article L. 22-10-9, I., 6 of the French Commercial Code	3.4.5
Annual changes in remuneration, Company performance, average remuneration of Company employees and the above ratios over the last five years	Article L. 22-10-9, I., 7 of the French Commercial Code	3.4.5
How total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the Company and how the performance criteria have been applied	Article L. 22-10-9, I., 8 of the French Commercial Code	3.3.1
Procedure for taking into account the vote of the last ordinary Shareholders Meeting provided for in paragraph I of Article L. 22-10-34 of the French Commercial Code	Article L. 22-10-9, I., 9 of the French Commercial Code	3.3.1
Non-compliance with the procedure for implementing the remuneration policy and any deviation from the procedure	Article L. 22-10-9, I., 10 of the French Commercial Code	N/A
Application of the provisions of paragraph 2 of Article L. 225-45 of the French Commercial Code (suspension of payment of directors' remuneration in the event of lack of gender diversity on the Board)	Article L. 22-10-9, I., 11 of the French Commercial Code	N/A
Stock options granted to and held by corporate officers	Article L. 225-185 of the French Commercial Code	N/A
Free shares granted to and held by executive corporate officers	Articles L. 225-197-1 and L. 22-10-59 of the French Commercial Code	3.4.3.3; 3.4.4.3; 6.5.4
Information of governance		
List of positions held and duties performed by each corporate officer in all companies during the reporting period	Article L. 225-37-4, 1 of the French Commercial Code	3.1.2; 3.1.3
Agreements entered into between a corporate officer or a significant shareholder and a subsidiary	Article L. 225-37-4, 2 of the French Commercial Code	N/A
Summary table showing delegations granted by the Shareholders Meeting to increase the share capital currently in force	Article L. 225-37-4, 3 of the French Commercial Code	3.12
General management procedures	Article L. 225-37-4, 4 of the French Commercial Code	3.1
Composition, preparation and organization of the work of the Board	Article L. 22-10-10, 1 of the French Commercial Code	3.2
Description of the diversity policy, objectives and results, including Supervisory Board gender balance	Article L. 22-10-10, 2 of the French Commercial Code	3.1.3.3
Limitations placed by the Board on the powers of the Managing General Partner	Article L. 22-10-10, 3 of the French Commercial Code	3.1.3.2; 3.2.8
Reference to the AFEP/MEDEF Code and application of the "comply or explain" principle	Article L. 22-10-10, 4 of the French Commercial Code	3.2.8
Specific conditions for shareholder participation in the Shareholders Meeting	Article L. 22-10-10, 5 of the French Commercial Code	3.10.6

Section headings of the 2020 Management Report	Reference text	Section/Page(s)
Procedure for evaluating current agreements – Implementation	Article L. 22-10-10, 6 of the French Commercial Code	3.9
Items likely to have an impact in the event of a takeover bid or exchange offer Shareholders' agreements relating to the Company's capital	Article L. 22-10-11 of the French Commercial Code	3.13
Shareholdings and capital		
Structure, changes in the Company's capital and threshold crossings	Article L. 233-13 of the French Commercial Code	3.11 ; 6.5.1
Purchase and sale of treasury stock	Article L. 225-211 of the French Commercial Code	6.5.6
Employee share ownership at the period end (proportion of share capital represented)	Article L. 225-102, paragraph 1 of the French Commercial Code	6.5.5
Any adjustments made to securities giving rights to share capital in the event of share buybacks or financial transactions	Articles R. 228-90 and R. 228-91 of the French Commercial Code	6.5
Information on transactions by executive corporate officers and related persons in the Company's shares	Article L. 621-18-2 of the French Monetary and Financial Code	3.8; 6.5.4
Dividends paid during the last three financial years	Article 243 bis of the French General Tax Code (*Code général des impôts*)	6.2.3; 7.1.1
Non-financial information statement (NFPS)	See the concordance table for the Non-Financial Information Statement 4.2.2	
Additional information		
Additional tax information	Articles 223 quater and 223 quinquies of the French General Tax Code	N/A
Injunctions or penalties for anti-competitive practices	Article L. 464-2 of the French Commercial Code	N/A

8.5 TABLE OF CONCORDANCE GRI (GLOBAL REPORTING INITIATIVE)

This report has been prepared in accordance with the GRI Standards: Core option[1]. The following table cross-references sections in the report that are aligned with GRI indicators, according to the standards updated on December 31, 2020.

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 102: GENERAL DISCLOSURES				
1. Organizational profile				
102-01	Name of the organization	6.1	Information about the company	412
102-02	Activities, brands, products, and services	1	Our growth and value creation model	18-19
			Heritage: pioneering, sustainable, innovative, resilient for 132 years	4
			Four areas of growth	20-30
102-03	Location of headquarters	6.1	Information about the company	412
102-04	Location of operations	1	A global footprint	3
102-05	Ownership and legal form	1	The Michelin partnership limited by shares	32
102-06	Markets served	1	Four areas of growth	20-30
102-07	Scale of the organization	4.1.2.4	Supporting employee growth and development/Workforce overview	184
		1	A global footprint	3
		3.11	Ownership structure and voting rights	141
		6.2.1	The Michelin share	413
		1	Financial performance	40
102-08	Information on employees and other workers	4.1.2	Human rights	172
		4.1.3	Employee health and safety	191
		4.1.5	Summary table of employee data	232
102-09	Supply chain	4.1.1.3	Demonstrating our social commitments through responsible procurement policies	164
102-10	Significant changes to the organization and its supply chain	5.1.11	Significant change in the issuer's financial or trading position	292
		4.1.2.3 c)	Transparency: information concerning redundancy plans, job retention initiatives and retraining, placement and support programs in 2020	182
102-11	Precautionary principle or approach	2	Risk management	47
		4.3	Duty of care plan	244
102-12	External initiatives	4	Methodology	148
		4.1.1.2	Ensuring ethical business practices	162
		4.1.1.3	Demonstrating our social commitments through responsible procurement policies	164
		4.1.2.1 a)	Human rights//Employee relations standards and responsibilities	172
		4.1.2.2 b)	Programs and tools to attenuate the risk of discrimination	175
		4.1.2.2 d)	Promoting employment for people with disabilities and retaining employees who become disabled	177
		4.1.3	Employee health and safety/Health, safety and quality of worklife policies	192
		4.1.4.4	Supporting biodiversity	226
		4.3.1	Duty of care plan/Methodology	244

(1) *There are two options for preparing a report in accordance with the GRI Standards:* **Core** *and* **Comprehensive**. *The Core option indicates that a report contains the minimum information needed to understand the nature of the organization, its material topics and related impacts, and how these are managed (see https://www.globalreporting.org, and the GRI standards 101-3 and 102-54).*

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
102-13	Membership of associations	4.1.1.3 c)	A dedicated approach for natural rubber/The Global Platform for Sustainable Natural Rubber (GPSNR)	169
		4.1.2.1	Ensuring respect for human rights	172
		4.1.2.3	Promoting responsible social dialogue	178
		4.1.4.2 b)	The Michelin 4R strategy for a circular economy/Recycle	211
		4.1.4.2 c)	Actively improving energy performance in the transportation industry	212
		4.1.4.4 a)	Michelin's individual commitments	227
		Main transparency registers in which Michelin is registered (in French only): https://www.hatvp.fr/fiche-organisation/?organisation=855200507##		
		https://www.michelin.com/developpement-mobilite-durables/performance-transparence/lobbying-affaires-publiques/		
2. Strategy				
102-14	Statement from senior decision-maker	1	Interview with Florent Menegaux, Managing Chairman	6
102-15	Key impacts, risks, and opportunities	2	Risk management	47
		4.2.1	Identification of the main risks	236
		4.1	Introduction/The Materiality Matrix	152
3. Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	1	Michelin's "All Sustainable" vision	14
		4.1.1.2	Ensuring ethical business practices	162
		4.1.2.1	Ensuring respect for human rights	172
		4.1.2.2	Instilling an inclusive culture of diversities and preventing discrimination	174
102-17	Mechanisms for advice and concerns about ethics	4.1.1.2	Ensuring ethical business practices	162
		4.1.1.2 a)	Establishing a global ethical framework/Whistleblowing controls and procedures	162
		4.1.1.3 b)	Risk identification and levers for action/Mediation with suppliers	167
4. Governance				
102-18	Governance structure	3.1	Administrative, management and supervisory bodies	64
102-19	Delegating authority	3.12	Financial authorizations	142
102-20	Executive-level responsibility for economic, environmental, and social topics	4.1.2.3 b)	Offering fair compensation and benefits / Integrating CSR performance criteria into executive compensation	181
102-21	Consulting stakeholders on economic, environmental, and social topics	4.1.2.5 a)	Stakeholder dialogue	187
102-22	Composition of the highest governance body and its committees	3.1	Administrative, management and supervisory bodies	64
102-23	Chair of the highest governance body	3.1	Administrative, management and supervisory bodies	64
102-26	Role of highest governance body in setting purpose, values, and strategy	3.1.1 b)	Role and responsibilities	64
102-29	Identifying and managing economic, environmental, and social impacts	2	Risk management	47
		4.2.1	Identification of the main risks	236
		4.1	Introduction/The Materiality Matrix	152

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
102-35	Remuneration policies	3.3	Management and Supervisory Board compensation policies for 2020	103
102-36	Process for determining remuneration	3.3	Management and Supervisory Board compensation policies for 2020	103
102-37	Stakeholders' involvement in remuneration	3.3.1	General principles	103
		3.5	Individual compensation paid or awarded to the Managers and the Chairman of the Supervisory Board for 2020	123
5. Stakeholder engagement				
102-40	List of stakeholder groups	4.1.2.5 a)	Stakeholder dialogue	187
102-41	Collective bargaining agreements	4.1.2.3 a)	An assertive social dialogue process	179
102-42	Identifying and selecting stakeholders	4.1.2.5 a)	Stakeholder dialogue	187
102-43	Approach to stakeholder engagement	4.1.2.5 a)	Stakeholder dialogue	187
102-44	Key topics and concerns raised	4.1.2.5 a)	Stakeholder dialogue	187
		4.1	Introduction/The Materiality Matrix	152
6. Reporting practice				
102-45	Entities included in the consolidated financial statements	5.2	Consolidated financial statements year ended December 31, 2020	294
102-46	Defining report content and topic boundaries	4	Methodology/Definition of content and scope of reporting	148
102-47	List of material topics	4.1	Introduction/Challenges and performance/The Materiality Matrix	153
102-48	Restatements of information	4	Methodology	148
102-49	Changes in reporting	4	Methodology/Indicators	148
102-50	Reporting period	4	Methodology/Reporting cycle and period	148
102-51	Date of most recent report	4	Methodology/Indicators	148
102-52	Reporting cycle	4	Methodology/Reporting cycle and period	148
102-53	Contact point for questions regarding the report	back cover		
102-54	Claims of reporting in accordance with the GRI Standards	4	Methodology/Definition of content and scope of reporting	148
102-55	GRI content index	8.5	Global Reporting Initiative cross-reference table	455
102-56	External assurance	4.2.3	Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated environmental, labor and social information presented in the management report	241
GRI 200: ECONOMIC				
GRI 201 – Economic performance				
GRI 201-1	Direct economic value generated and distributed	1	Financial performance	40
		1	The Michelin share	45
		4.1.2.3 b)	Offering fair compensation and benefits	181
		Note 11	Income tax	321
GRI 201-2	Financial implications and other risks and opportunities due to climate change	2.1	Risk factors specific to Michelin, description and related management systems	48

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 202 – Market presence				
GRI 202-2	Proportion of senior management hired from the local community	4.1.2.2 e)	Ensuring fairness and equal opportunity regardless of social, cultural and ethnic difference	178
GRI 203 – Indirect economic impacts				
GRI 203-1	Infrastructure investments and services supported	4.1.2.5 d)	The Michelin Foundation: demonstrating our corporate culture and value	190
		4.1.2.5 c)	Participating harmoniously in local community life through our employees	189
GRI 204 – Procurement practices				
GRI 204-1	Proportion of spending on local suppliers	4.1.1.3	Demonstrating our social commitments through responsible procurement policies/Diversifying the supplier base	167
Reason for omission of the figure: Not applicable – Group procurement is managed globally. While operating globally and purchasing from major international suppliers who meet its exacting standards and embrace the principles of sustainable development, Michelin, in line with its Purchasing Principles, also strives to source locally, as well as from sheltered work centers and social enterprises. These local purchases are not tracked by a Group-wide KPI.				
GRI 205 – Anti-corruption				
GRI 205-1	Communication and training about anti-corruption policies and procedures	4.1.1.2 a)	Establishing a global ethical framework	162
		4.1.1.2 b)	Taking a firm stand against corruption	163
Reason for omission of certain data: lack of information/confidentiality issues– All of the Group's host regions have been reviewed and assessed for corruption risks. The findings are not available at the site or facility level. For confidentiality reasons, Michelin does not publicly disclose the material risks of corruption identified during the assessments.				
GRI 205-2	Communication and training about anti-corruption policies and procedures	4.1.1.2 a)	Establishing a global ethical framework	162
		4.1.1.2 b)	Taking a firm stand against corruption	163
GRI 205-3	Confirmed incidents of corruption and actions taken	Reason for omission: confidentiality issues		
GRI 206 – Anti-competitive behavior				
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Reason for omission: confidentiality issues – the requested information is highly sensitive and its disclosure could be detrimental to trade secrets		
GRI 300: ENVIRONMENTAL				
GRI 301 – Materials				
GRI 301-2	Recycled input materials used	4.1.4.2	Attenuating the environmental impact of our products and services/ Average Sustainable Materials Rate	209
GRI 302 – Energy				
GRI 302-1	Energy consumption within the organization	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
GRI 302-3	Energy intensity	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
GRI 302-4	Reduction of energy consumption	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
GRI 303 – Water				
GRI 303-1	Interactions with water as a shared resource	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 304 – Biodiversity				
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
		4.1.4.4	Supporting biodiversity	226
GRI 305 – Emissions				
GRI 305-1	Direct (Scope 1) GHG emissions	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
		4.1.4.3 c)	Reducing energy use and greenhouse gas emissions	219
GRI 305-2	Energy indirect (Scope 2) GHG emissions	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
		4.1.4.3 c)	Reducing energy use and greenhouse gas emissions	219
GRI 305-3	Other indirect (Scope 3) GHG emissions	4.1.4.1 a)	Reducing the carbon footprint and managing the energy transition / Inventory of Scope 1, 2 and 3 CO_2 emissions	201
			The Group's carbon footprint / Inventory of Scope 3 CO_2 emissions by category	202
GRI 305-4	GHG emissions intensity	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
		4.1.4.3 c)	Reducing energy use and greenhouse gas emissions	219
GRI 305-5	Reduction of GHG emissions	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
		4.1.4.3 c)	Reducing energy use and greenhouse gas emissions	219
GRI 305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
		4.1.4.3 d)	Reducing harmful air emissions	222
GRI 306 – Effluents and waste				
GRI 306-2	Waste by type and disposal method	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
		4.1.4.3 e)	Reducing and managing waste	223
GRI 307 – Environmental compliance				
GRI 307-1	Non-compliance with environmental laws and regulations	4.1.4.3 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group	218
GRI 308 – Supplier environmental assessment				
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	4.1.1.3 b)	Risk identification and levers for action	165
GRI 400: SOCIAL				
GRI 401 – Employment				
GRI 401-1	New employee hires and employee turnover	4.1.2.4	Supporting employee growth and development	184

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 402 – Labor/Management relations				
GRI 402-1	Minimum notice periods regarding operational changes	4.1.2.2 a)	Managing diversity seamlessly around the world	179
GRI 403 – Occupational health and safety				
GRI 403-1	Occupational health and safety management system	4.1.3	Employee health and safety/Health, safety and quality of worklife policies	192
GRI 403-2	Hazard identification, risk assessment, and incident investigation	4.1.3.2	Assessing and preventing workplace safety and security risks	194
		4.1.3.2 c)	Measuring and tracking occupational accidents	196
		4.1.5	Summary table of employee data	232
GRI 404 – Training and education				
GRI 404-1	Average hours of training per year per employee	4.1.2.4 e)	Enhancing skills through training	187
		4.1.5	Summary table of employee data	232
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.1.2.4 c)	Employee growth and development	186
		4.1.2.4 d)	A new division of roles to support the process	187
GRI 405 – Diversity and equal opportunity				
GRI 405-1	Diversity of governance bodies and employees	4.1.2.2 c)	Making all positions accessible to women and ensuring gender wage parity	175
GRI 405-2	Ratio of basic salary and remuneration of women to men	4.1.2.2 c)	Making all positions accessible to women and ensuring gender wage parity/Ensuring wage equality worldwide	177
GRI 406 – Non-discrimination				
GRI 406-1	Incidents of discrimination and corrective actions taken	4.1.2.2 b)	Programs and tools to attenuate the risk of discrimination	175
		4.1.1.2 a)	Establishing a global ethical framework	162
			The system for consolidating the various ethics hotlines is now being revamped. Based on a single outside service provider, the new system will be able to manage and track all types of alerts in real time, while guaranteeing data confidentiality and respecting people's privacy	
GRI 407 – Freedom of association and collective bargaining				
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	4.1.2.3 a)	An assertive social dialogue process	179
		4.1.1.3 b)	Demonstrating our social commitments through responsible procurement policies/Risk identification and levers for action/Supplier assessments	165
GRI 408 – Child labor				
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	4.1.2.1 b)	Risks and prevention measures/Decent work-related risks now being assessed in the contracting chain	173
GRI 409 – Forced or compulsory labor				
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.1.2.1 b)	Risks and prevention measures/Decent work-related risks now being assessed in the contracting chain	173
		4.1.1.3 b)	Demonstrating our social commitments through responsible procurement policies/Risk identification and levers for action/ Effective levers for action/Addressing CSR issues in appropriate purchasing processes	167

Disclosure	Description	Section	Cross-reference (or reason for omission)	Page
GRI 410 – Security practices				
GRI 410-1	Security personnel trained in human rights policies or procedures	4.1.2.1 b)	Risks and prevention measures	173
GRI 411 – Rights of indigenous peoples				
GRI 411-1	Incidents of violations involving rights of indigenous peoples	4.1.2.1 b)	Risks and prevention measures	173
GRI 412 – Human rights assessment				
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	4.1.2.1 a)	Employee relations standards and responsibilities	172
		4.1.2.1 b)	Risks and prevention measures	173
GRI 413 – Local communities				
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	4.1.2.5	Encouraging employee and corporate engagement in local communities	187
		4.1.2.5 a)	Stakeholder dialogue	187
		4.1.4.2 b)	The Michelin 4R strategy for a circular economy	210
GRI 414 – Supplier social assessment				
GRI 414-1	New suppliers that were screened using social criteria	4.1.1.3 b)	Risk identification and levers for action/Supplier assessments	165
GRI 414-2	Negative social impacts in the supply chain and actions taken	4.1.1.3 b)	Risk identification and levers for action/Supplier assessments	165
		4.1.4.3	Reducing the environmental footprint of our manufacturing and supply chain operations	215
GRI 415 – Public policy				
GRI 415-1	Political contributions	Code of ethics	"The Michelin vocation is not to support a political candidate in order to hopefully obtain further advantages for the Company. The Michelin Group maintains a neutrality principle. However, in countries/jurisdictions where it is legal and commonly accepted, the Michelin Group can provide support to a candidate, who works for sustainable mobility. These donations and political contributions will be published, as required by law."	
GRI 416 – Customer health and safety				
GRI 416-1	Assessment of the health and safety impacts of product and service categories	4.1.1.1	Guaranteeing the quality of our products and services	156
GRI 417 – Marketing and labeling				
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	4.1.1.1	Guaranteeing the quality of our products and services	159
GRI 418 – Customer privacy				
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.1.1.2	Ensuring ethical business practices	162
		4.1.1.2 d)	Protecting employee privacy and personal data	168
GRI 419 – Socioeconomic compliance				
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	4.1.1.2	Ensuring ethical business practices	162

8.6 TABLE OF CONCORDANCE FOR THE SASB (SUSTAINABILITY ACCOUNTING STANDARD BOARD)

The following table cross-references sections in the report that are aligned with *Sustainability Accounting Standard Board - Transportation Standard Index - Autoparts*, according to the standards updated on December 31, 2020.

Topic	Accounting metric	Section	Page
Energy management TR-AP-130a.1	Total energy consumed	4.1.4.3 b) Reducing the environmental footprint of the production plants/Summary table of environmental data – Group	218
	Percentage renewable	4.1.4.3 c) Reducing energy consumption and greenhouse gas emissions/Implementing the Group's energy transition	221
Waste management TR-AP-150a.1	Total amount of waste from manufacturing	4.1.4.3 b) Reducing the environmental footprint of the production plants/Summary table of environmental data – Group	218
	Percentage hazardous	4.1.4.3 e) Reducing and managing waste	223
	Percentage recycled	4.1.4.3 e) Reducing and managing waste	223
Product safety TR-AP-250a.1	Number of recalls issued, total units recalled	4.1.1.1 Guaranteeing the quality of our products and services/Michelin Quality	157
Design for fuel efficiency TR-AP-410a.1	Revenue from products designed to increase fuel efficiency and/or reduce emissions	4.1.4.1 a) Reducing the carbon footprint and managing the energy transition/Reducing the amount of energy associated with tires in use[1]	203
Materials sourcing TR-AP-440a.1	Description of the management of risks associated with the use of critical materials	4.1.1.3 Demonstrating our social commitments through responsible procurement policies/4.1.1.3 b) Risk identification and levers for action/Critical materials	167
Materials efficiency TR-AP-440b.1	Percentage of products sold that are recyclable	This information was not available at the date of publication of the report.	---
Materials efficiency TR-AP-440b.2	Percentage of input materials from recycled or remanufactured content	4.1.4.2 Attenuating the environmental impact of products and services/Sustainable Materials Index	209
Competitive behavior TR-AP-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	During the period, the Group did not incur monetary losses as a result of legal proceedings pursuant to regulations on anti-competitive behavior[1]	---

Activity metric	Code	Section	Page
Number of parts produced	TR-AP-000.A	4.1.1.1 Guaranteeing the quality of our products and services/Michelin Quality	157
Weight of parts produced	TR-AP-000.B	2,803,826 tons (scope: MEF)[1]	---
Area of manufacturing plants	TR-AP-000.C	3,431.7 hectares[1]	---

(1) This information was added after the review by the independent third-party and was therefore not subject to its review procedures.

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