UNIVERSAL REGISTRATION DOCUMENT 2021

Including Annual Financial Report, Non-Financial Performance Statement, Duty of Care Plan

MICHELIN

CONTENTS

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

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 8, 2022 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.

The Annual Financial Report included in the Universal Registration Document is a translation of the official version of the Annual Financial Report in format ESEF (European Single Electronic Format) and is available on the website www.michelin.com

GROUP PRESENTATION AND STRATEGY

01

MOTION FOR LIFE

Offering everyone a better way forward is our purpose. To achieve it, we are passionately innovating, while constantly seeking the right balance between personal fulfillment, protection of the planet, and business and financial performance. Our shared dream is to be recognized as a leader in innovations that have helped humanity conquer new frontiers.

As a world leader in sustainable mobility solutions, Michelin improves transportation performance with high-tech tires and state-of-the-art services, while its guides, itinerary planners and recommendations make travel easier and more fulfilling. **In addition to mobility, the Group is leveraging its exceptional high-tech materials expertise** in such future-facing markets as sustainable flexible composites, medical applications, metal 3D printing, and zero-emission hydrogen fuel-cell systems.

A GLOBAL FOOTPRINT

PEOPLE, PLANET, PROFIT

EVERYTHING WILL BE SUSTAINABLE AT MICHELIN

PEOPLE

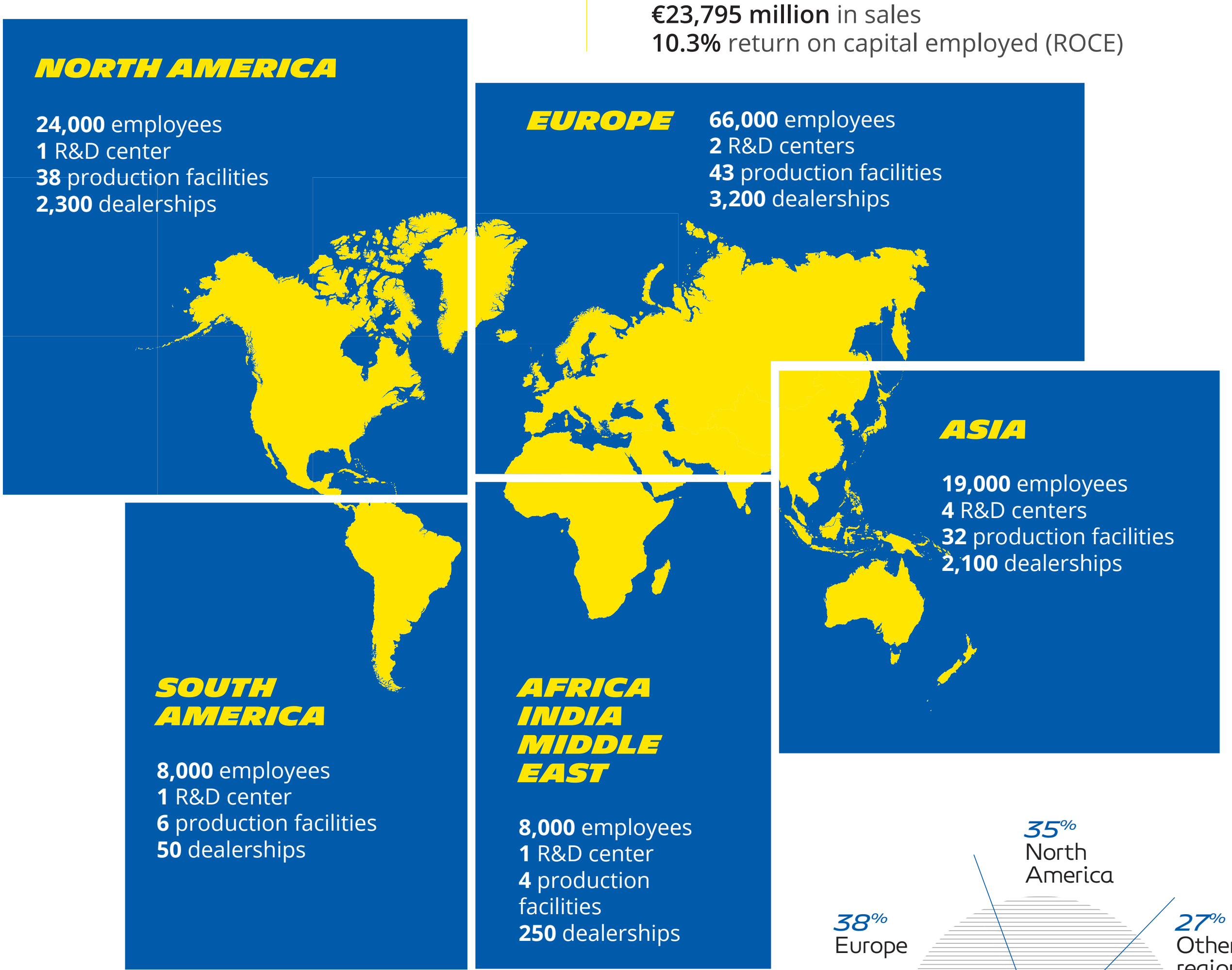
125,000 people in 177 countries
80% employee engagement rate

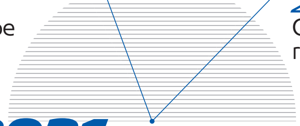
PLANET

29% sustainable materials rate
29% reduction in CO_2 emissions vs. 2010[(1)]

PROFIT

€23,795 million in sales
10.3% return on capital employed (ROCE)





2021 SALES

R&D

6,000 EMPLOYEES

8 COUNTRIES

PRODUCTION

123 FACILITIES

26 COUNTRIES

DEALERSHIPS

7,900 PROPRIETARY OR FRANCHISED CENTERS

30 COUNTRIES

(1) Scopes 1 and 2.

EDITO

WE'RE GOING TO TAKE THE MICHELIN GROUP TO THE NEXT LEVEL BY CAPITALIZING ON ALL OUR SUSTAINABLE INNOVATION CAPABILITIES AND STAKING OUT POSITIONS IN NEW FUTURE-FACING MARKETS.

Michelin delivered very good results in extremely difficult circumstances in 2021, while maintaining its priority focus on protecting its employees.
Despite volatile markets, supply chain disruptions, labor shortages and rising logistics, raw materials and energy costs, we strengthened our positions, improved our operating margins and preserved our financial strength.

Sales rose by 16% over the year to €23.8 billion, while segment operating margin improved to 12.5%, back in line with 2019 levels. Net income exceeded €1.8 billion.
Our global footprint and diversified business base enabled us to capture the rebound in local economies.
Our productivity gains, assertive pricing management and higher value product mix successfully offset the approximately €1.2 billion in additional costs.

More than ever, we're leveraging collective intelligence to find better ways forward.

I would like to express my deepest thanks to all our employees for these results, which once again demonstrated the strength and resilience of our business model. We plan to reward their engagement in these exceptional circumstances, in particular with a substantial increase in their bonuses for the year.
We would also like to thank our shareholders for their support by recommending the payment of a dividend of €4.50 per share, compared with €2.30 in respect of 2020.

This fair sharing of our created value among employees, shareholders and our sustainable growth investments is in line with Michelin in Motion, our All-Sustainable strategy.

Unveiled in 2021, Michelin in Motion is based on constantly seeking the right balance between People, Planet and Profit, i.e., between developing individuals, safeguarding the planet and driving business and financial performance.
I firmly believe that tomorrow's prosperity can only be sustainable. That's why we are committed to addressing the legitimate demands of all our stakeholders, by supporting the transition to a greener, more inclusive economy while generating strong, sustainable, profitable growth.

We're going to take the Group to a whole new level by fully expressing all our green innovation capabilities, our expertise and our skills:

- with tires, where increasingly strict environmental and road safety standards and the growing popularity of electric mobility are opening up new opportunities for our technologies;
- around tires, where connected mobility is enabling us to develop innovative services based on a deep understanding of usage practices and extensive data analytics;
- beyond tires, in high-tech materials (high-performance flexible composites; biobased

> Our All Sustainable approach positions us well for achieving the transition to a greener, more inclusive economy.
>
> **FLORENT MENEGAUX**

and recycled materials), medical applications, metal 3D printing and hydrogen mobility.
In all these segments, we will pursue our strategy of acquisitions and partnerships to do things better and faster, by combining capabilities and capitalizing on synergies and complementary strengths.

2023 and 2030 targets have been set for our three People, Planet, Profit pillars and ambitious objectives have been specified for 2050[(1)]. Progress towards them will be supported by the transformations now under way.

- We are aligning our organizations and training programs to ensure that everyone feels capable of playing an active role in the corporate community.
- We are constantly making it easier and more satisfying for our customers to work with Michelin.
- We are simplifying everything we can to increase our agility, reduce our costs and optimize our operations in ways that benefit all our stakeholders.
- We are stepping up the pace of innovation, particularly in high-tech materials that create competitive advantage and offer attractive growth prospects.
- We are unlocking all the value in our data to improve our decision-making process and deliver better solutions to our customers and partners.
- We are shrinking the environmental footprint of our operations and products, while engaging our suppliers and customers in meeting this objective; we are investing in the circular economy and in zero-emission solutions; and we are strengthening our positive impact on the planet.

More than ever, we are leveraging collective intelligence and an ecosystem approach to find better ways forward.
At a time when Europe and the entire world are facing an extremely serious crisis, the Michelin Group is totally dedicated to supporting all its employees and to meeting the challenges the crisis poses for its global business.
I am fully confident in Michelin's ability to weather this new crisis and to fulfill its ambitions. **Florent Menegaux**

(1) Find out more on pages 13, 46, 47, 48 and 50.

TRENDS & CHALLENGES

The mobility of people and goods is an intrinsic factor in economic and social development, and the resulting needs are growing in line with the world's population. This raises the question of how to meet these needs while attenuating their impact on climate, biodiversity, health and road safety.

In a world being rapidly reshaped by the impacts of the pandemic, technology and innovation will play a critical role in devising sustainable solutions to meet the challenges of mobility, successfully lead the green transition to a more eco-friendly economy and support more inclusive growth.

For Michelin, these challenges are also opportunities to build competitive advantage and address society's expectations by deploying its expertise in future-facing markets around and beyond tires.

In 2021, global battery-electric car sales more than doubled from 2020 to 4.8 million units[1].
Thanks to its technologies, Michelin's share of the original equipment tire market will remain, over a longer period, more than twice as high in the battery EV segment than in the market as a whole.

(1) Source: EV volumes

TIRES:
SOLID FUNDAMENTALS

Three-quarters of all tires are sold in the replacement market, which is less cyclical than the original equipment segment. Demand is being driven by growth in the world's population, to **an estimated 8.5 billion people in 2030**[(1)], and the need to meet their needs, as well as by economic development and growth in travel and trade. Kilometers traveled by cars alone, for example, are expected to increase by more than 30% by 2030[(2)].

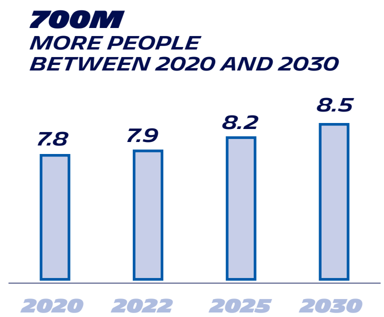
CAR AND TRUCK TIRES:
FAVORABLE TRENDS FOR HIGH-TECH TIRES

SUV[(3)] sales continued to rise in 2021, when they accounted for 45% of all new car purchases. Battery electric vehicles and plug-in hybrids are also becoming more popular. These larger, heavier vehicles all require higher performance tires to attenuate their CO_2 emissions or increase their range.
In the freight and passenger transportation segment, the transition is gaining momentum in a highly competitive but also increasingly regulated operating environment.
In response, Michelin is focusing on developing innovative tires and services that enable carriers to comply with new emissions standards and improve their operations.

SPECIALTY TIRES:
DEMANDING, PROFITABLE MARKETS

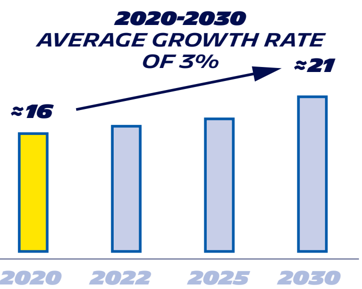
Companies in the mining, farming, construction, logistics and air transportation industries are facing complex challenges in highly demanding environments where tires are business-critical components.
Operators are looking for advanced technological solutions combining products and services that improve safety and productivity.

Growth in the world's population[(1)]
(in billions of people)

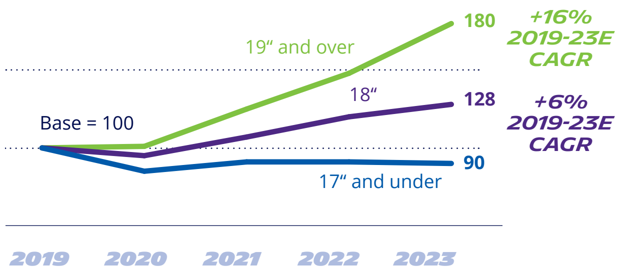


URBANIZATION RATE[(4)]
70%
IN 2025

Increase in distances traveled
(in billions of kilometers – cars alone)



Growth in the global car tire market
(by size; original equipment and replacement sales)



(1) 2019 World Population Prospects, United Nations.
(2) IHS Markit.
(3) Sport utility vehicles.
(4) 2018 World Urbanization Prospects, United Nations.

THE CHANGING FACE OF MOBILITY

Climate change, urbanization and the digital revolution are driving the development of new powertrains, new solutions and new uses.

REGULATORY CHANGES

Standards governing road safety, CO_2 and particle emissions, noise pollution and recycling are being updated with more deterrent penalties to support the green transition. With stricter CO_2 emission standards, low rolling resistance tires that increase energy efficiency and reduce emissions are gaining in popularity with carmakers, carriers and their customers.

ELECTRIC MOBILITY

New regulations and buyer incentives are driving a faster shift to electrification. At the COP26 conference, around 30 countries, corporations and carmakers pledged to phase out internal combustion engines, including for hybrid vehicles and light trucks, as early as 2035 in leading markets and by 2040 globally. Whether heavy or light, EVs need tires with higher technological content to meet an array of demanding requirements, such as low rolling resistance to increase range, robustness and durability to bear heavy batteries, and quieter rolling noise. These trends are also favorable for hydrogen-powered electric powertrains, which are well suited to light trucks.

MORE SPECIALIZED, MORE CONNECTED FLEETS

Driven by the pandemic, services like online shopping, last-mile delivery and pay-per-use, on-demand vehicles are encouraging the development of specialized fleets (vans, e-hailed vehicles, cars, shuttles, scooters, bicycles), fitted with robust, reliable and connected tires. Connected tires and the monetization of their collected data are supporting the development of new business services for fleet operators, infrastructure managers, insurance companies and dealerships.

≈ 45%

of vehicles sold in 2030 worldwide will be battery-electric.
Source: Michelin.

36%

increase in the number of commercial vehicles in city centers by 2025, led by the growing popularity of online shopping.
Source: Accenture Research

AN INDUSTRY IN TRANSFORMATION

The ongoing shift in global balances, the weaknesses revealed by the health crisis, the emergence of new technologies and the accelerating pace of digitalization all demand transformative change, new skills and new management methods.

RESILIENCE AND AGILITY

The pandemic has highlighted the vulnerability of overly globalized supply chains. To enhance their resilience and agility, companies are realigning their production systems around shorter chains, in a local-to-local approach that will also help shrink their carbon footprint.

SUSTAINABLE SOLUTIONS

In 2021, it took seven months for the global population to use up all of the resources that Earth could produce in a year(1). Climate change and environmental degradation are driving faster deployment of eco-design processes, renewable energies, zero-waste programs and the circular economy. Innovative technologies like green hydrogen and biosourced or recycled materials are emerging, while start-ups are partnering with large corporations to mass produce new sustainable resources.

INDUSTRY 4.0

The digital transformation is impacting every aspect of corporate life, as companies seek to improve productivity, flexibility, responsiveness and their offering of personalized solutions. Digital simulation, virtual reality, collaborative robotics, additive manufacturing, the Internet of Things, artificial intelligence, data-driven management and data protection are all transforming jobs, organizations and the way we work and collaborate.

SKILLS AND SUPPORT

Key to successfully leading these transformations is taking a people-centric approach to every project, supporting employees in their career development, facilitating up-skilling, cross-functional collaboration and working in project mode, training people for new jobs, stimulating collective intelligence, and making every employee's work and engagement meaningful.

(1) July 27, 2021. Source: Earth Day.

MICHELIN IN MOTION

OUR ALL SUSTAINABLE STRATEGY FOR 2030

"TOMORROW'S WORLD CAN ONLY BE SUSTAINABLE. I BELIEVE, WE BELIEVE THAT TOMORROW, EVERYTHING WILL BE SUSTAINABLE AT MICHELIN."

FLORENT MENEGAUX

This vision engages the entire Group in constantly seeking the right balance between people, the planet and business and financial performance. Michelin in Motion, our All Sustainable strategy for 2030, translates this vision into actionable initiatives that foster a harmonious balance between its three pillars: People, Planet and Profit.

PEOPLE

ENGAGEMENT, SAFETY, CUSTOMER SATISFACTION, DEEP LOCAL ROOTS

Business performance, employee engagement and customer satisfaction are all closely linked. Already a world leader in workplace safety and employee engagement, Michelin is committed to driving further progress in these two areas, while setting new standards in every type of diversity and their inclusion. The Group wants to lead the industry in creating value for its customers by delivering an experience on a par with the quality of its products and services. With its deep roots in every region, Michelin consistently interacts with its host communities as a responsible, supportive corporate citizen.

85%
OF EMPLOYEES TO FEEL ENGAGED IN 2030 (1)

PROFIT

AMBITIOUS, PROFITABLE, SUSTAINABLE GROWTH

To impel faster growth, Michelin is leveraging all its innovation capacity, expertise and capabilities with, around and beyond tires. It aims to report average annual growth of 5% between 2023 and 2030, with a return on capital employed (ROCE) over the period exceeding 10.5%(2).
The Group will continue to expand, invest and innovate *with tires* by (i) capturing the faster growth in electric car sales; (ii) focusing on creating value in the road transportation segment; and (iii) capitalizing on its superior products and services in the specialty markets for mining, earthmover, agricultural, aircraft and two-wheel tires.
At the same time, Michelin will drive strong expansion in five ecosystems that are expected to account for 20% to 30% of its sales in 2030:

- *around tires,* with services and solutions based in particular on connected objects and the monetization of collected data;
- *beyond tires,* with high-performance flexible composites, medical applications, metal 3D printing and hydrogen mobility. By giving Michelin opportunities to apply its high-tech materials science and process engineering expertise in other fields, these businesses are opening up new avenues of growth.

The success of this strategy will be underpinned both by the strength of the MICHELIN brand and by the vitality of the product/service portfolio, which is being constantly enhanced with a steady stream of innovations.

20% TO 30%
OF SALES FROM NON-TIRE BUSINESSES IN 2030

PLANET

CARBON NEUTRALITY AND SUSTAINABLE MATERIALS

From responsible rubber farming to sustainable mobility solutions, Michelin is taking action both up and downstream from its operations to fight climate change, conserve natural resources and protect biodiversity.
The Group is committed to setting the global standard for the environmental footprint of its manufacturing facilities, which will be reduced by one third in 2030 compared with 2020. Michelin is also striving to cut CO_2 emissions from its manufacturing operations and energy use by 50% between 2010 and 2030 and to become carbon neutral by 2050(3). The continuous improvement in the energy performance of its tires will help reduce emissions from fitted vehicles in use(4). The Group is actively deploying an ambitious circular economy approach, with, for example, the ability to reuse everything in an end-of-life tire by 2050.
It is also committed to raising the proportion of biosourced or recycled materials in its tires to 40% by 2030 and 100% in 2050.

40%
SUSTAINABLE MATERIALS USED IN OUR TIRES IN 2030
100% IN 2050

(1) *See the Performance & Ambitions section, p. 46.*
(2) *ROCE is calculated by dividing segment operating income after tax (NOPAT) by the value of economic assets.*
(3) *Scopes 1 and 2.*
(4) *Scope 3.*

OUR BUSINESS MODEL

WE ARE MOBILIZING OUR UNIQUE COMPETITIVE STRENGTHS…

Understanding usage patterns

This deep understanding nurtures Michelin's intimacy with customers and guides innovation focused on meeting their expectations with just the right products, services and solutions.

Materials science

The core of our know-how and expertise, materials science enables us to deliver increasing levels of performance in the same product.

Process engineering complex products

For premium tires, innovation in production processes goes hand in hand with product innovation, an invaluable capability that is now being effectively deployed in our new non-tire businesses.

Employee engagement

In the company: 80% of employees engaged.
With customers: A Net Promoter Score of +39.
In host communities: 3,000 Group employees involved in local volunteer programs.

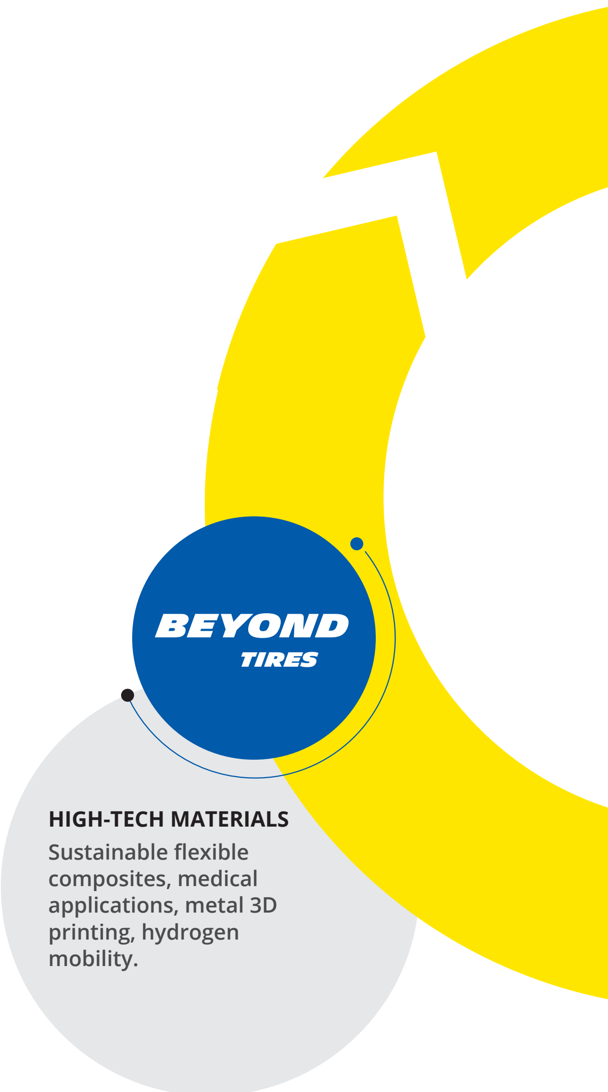
Trust capital

MICHELIN is the world's number one brand of premium tires, with leadership based on 133 years of innovations that make all the difference for our customers.

…IN A FAST-CHANGING ENVIRONMENT OFFERING NEW OPPORTUNITIES…

Climate change and resource depletion
Population growth and urbanization
Electrification of mobility
Digitalization

…TO DRIVE SUSTAINABLE GROWTH…



OUR PURPOSE

OFFERING EVERYONE
A BETTER WAY FORWARD

OUR AMBITION

PEOPLE, PLANET, PROFIT:
EVERYTHING WILL BE
SUSTAINABLE AT MICHELIN

...AND EVENLY SHARE THE CREATED VALUE AMONG PEOPLE, PLANET, PROFIT

Employees

We believe that all types of diversity are a valuable asset and seek to give everyone the resources they need to grow in a safe and motivating working environment.

Customers

Innovation enables us to improve safety and performance for customers over the long term, while steadily reducing their environmental impact.

Suppliers

Our supplier relationships are governed by transparency and a commitment to moving forward together.

Environment

We are deploying assertive programs, both upstream and downstream from our operations, to fight climate change, conserve natural resources and protect biodiversity.

Society

We are taking action to make mobility safer, more efficient, more accessible and more compatible with environmental safeguards. We are contributing to the vitality of our host communities.

Shareholders

In addition to its non-financial performance, Michelin delivers robust, value-creating business performance and is committed to paying out around half of consolidated net income before non-recurring items in dividends.

SUSTAINABLE DEVELOPMENT GOALS

For more information about the Group's commitments, see chapter 4, section 4.1, *SUSTAINABLE DEVELOPMENT GOALS.*

EXPANDING WITH TIRES

As the technological leader in tires and tracks, the Michelin Group works closely with manufacturers to bring innovations to every market. The world's best-selling 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 mobility solutions.

AN UNRIVALED BRAND PORTFOLIO

MICHELIN
BFGoodrich
Kleber
CAMSO

PROPRIETARY AND FRANCHISED DEALERSHIP NETWORKS

EUROMASTER
IHLE
TBC
TYREPLUS
blackcircles.com
allopneus.com

OBJECTIVES

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

STRATEGY

- **CONSOLIDATE** our market share in high value-added growth segments where our technologies make a difference. Step up growth in very high-value specialty tires.
- **PRODUCE** as close to customers as possible with competitive, flexible, right-sized Industry 4.0 factories. Expand faster in Asia to capture growing demand.
- **PROVIDE** excellent service to customers by leveraging synergies between online sales and the dealership networks.
- **BROADEN** the services portfolio for business customers with on-site audits and inspections, preventive maintenance, real-time tire management and recycling solutions.

AUTOMOTIVE

Supporting emerging mobility trends and soaring demand for electric vehicles.

TARGETED SEGMENTS

- **Fast growing segments, where we can offer the best products and related services, such as 18-inch and larger, all-season, Super Sport, quiet, self-repairing, hybrid and electric vehicle tires.**
- **Motorists sensitive to the premium features of MICHELIN products** (safety, performance, durability), who are identified through pervasive data mining.
- **OEMS fitting MICHELIN** brand tires as original equipment, which encourages brand loyalty in replacement purchases.

PROGRESS MADE IN 2021

MICHELIN CrossClimate2: safer, more economical and longer-lasting in every season
Michelin's new all-season tire enables drivers to use the same tires all year round, enjoying the same high performance whatever the weather. An outstanding feat of production expertise, it was available from launch in 105 sizes. The all-season segment has seen strong growth since Michelin introduced the first summer tire certified for winter use in 2015. It is expected to continue to deliver double-digit gains in Europe, particularly in France where winter tires have become mandatory in 48 departments.

MICHELIN Pilot Sport EV: the first production tire purpose-engineered for electric sports cars
Packed with technologies shaped by Michelin's experience acquired in Formula E racing, the Pilot Sport EV extends range by up to 60 kilometers, thanks to its very low rolling resistance, while offering optimal grip on dry and wet roads, outstanding resistance to wear and 20% less perceptible road noise thanks to MICHELIN Acoustic™ technology.

Michelin expands its e-commerce presence by acquiring 100% of Allopneus
Michelin's tire distribution strategy is guided by a commitment to offering retail customers a smooth, seamless experience, from seeking information online to getting their tires fitted. As part of this commitment, Michelin acquired the 60% of shares it did not already own in Allopneus, France's leading online retailer of tires and tire fitting services, with 3.6 million car tires sold each year and 6,000 partner service centers.

Motorsports, a sustainable innovation accelerator
Michelin has rolled out the first range of tires designed entirely by virtual means for the new Le Mans Hypercar class in the 2021 FIA World Endurance Championship (FIA WEC). The championship includes several rounds, including the Le Mans 24 Hours, where the first racing tire made from 46% biosourced and recycled materials took its first laps, fitted on the H24 hydrogen-powered prototype. By 2050, all Michelin tires will be made entirely of sustainable materials.

+50% Tires from premium tiremakers release up to 50% more wear particles than MICHELIN tires. Thanks to its unrivaled expertise, Michelin leads the way in constantly improving its ability to meet the difficult challenge of delivering the right combination of safety, longevity and a smaller environmental footprint.

TRWP emissions: Michelin vs. other premium tiremakers
(g/1,000km per vehicle)

90	MICHELIN
PREMIUM COMPETITORS	
109	
126	
130	
134	

Source: ADAC Tyre abrasion, Dec. 2021.

ROAD TRANSPORTATION

Targeting value-creative market segments.

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 met by MICHELIN solutions.
- **Last-mile delivery** and shared mobility fleets that require energy-efficient, robust tires that offer long-lasting performance.

PROGRESS MADE IN 2021

Safer transportation in winter
The new MICHELIN X® MULTI™ GRIP tires demonstrate excellent road handling on snowy, icy and wet roads. Long-lasting and fuel-efficient, they also reduce trucking company costs and impacts. 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.

Partnership with Sennder, a leading digital freight forwarder
By connecting shippers and carriers, Sennder streamlines processes for the former and increases revenue for the latter, while reducing industry emissions by cutting out empty miles. The 12,500 trucks already affiliated with the fast-growing digital platform now have access to the Group's tires, maintenance services and retreading services on preferential terms, in a winning partnership for carriers, Sennder and Michelin and the planet.

The first-ever tires designed for electric buses
The new MICHELIN X Incity EV Z has all the qualities needed to support the electrification of city buses, including low rolling resistance for increased range, a load capacity of up to eight tonnes to bear the heavy batteries, greater longevity and guaranteed safety, even on snow-covered roads. The new tires, which perform equally well on conventional buses, are available in a standard size to facilitate fleet management.

X 4 The number of electric buses in use in Europe is expected to increase from 8,500 to 35,000 within five years.
Source: ING.

100% In Europe, the light truck line-up will be all-electric for several leading carmakers by 2030 and for all major carmakers by 2040.
Source: IEA Global Outlook 2021.

A puncture-proof and robust solution for last-mile electric delivery trikes
After compact wheel loaders, golf carts and small all-terrain vehicles, Michelin X Tweel is entering the fast-growing last-mile delivery market. Presented on a Coaster electric cargo trike, this airless wheel and tire combination ensures maximum uptime for delivery personnel, completely maintenance-free. Other benefits include increased load capacity and tread life, reduced rolling resistance that extends the trike's range, and high cornering stability for faster and safer delivery.

SPECIALTIES

Building differentiation with performance and services.

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 such as on-site audits and inspections, predictive maintenance, real-time performance tracking and end-of-life tire recycling.
- **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 2021

EARTHMOVER TIRES

A mining tire recycling plant

Michelin is building its first tire recycling plant in collaboration with Enviro, whose patented technology enables everything in an end-of-life tire to be recovered for reuse in the form of new, high-quality materials like carbon black, pyrolysis oil, gas and steel. Based in Chile's Antofagasta mining region, the plant will eventually be able to recycle 30,000 tonnes of tires collected directly from customer premises each year.

After start-up in 2023, recycling operations will gradually ramp up to industrial scale, enabling the Group to offer customers a comprehensive recycling solution to support the development of a circular economy.

AGRICULTURAL TIRES

Productivity and soil protection across the crop cycle

With the new MICHELIN AgriBib Row Crop IF tires for medium horsepower sprayers and tractors and the MICHELIN TrailXBib for trailers, spreaders and slurry tankers, machines used in every phase of the crop cycle can be fitted with MICHELIN Ultraflex technology that enables them to operate at very low tire pressures. This helps prevent soil compaction, which in turn improves crop yields, increases productivity and saves fuel.

CONSTRUCTION AND MATERIALS HANDLING TIRES

A double first for port operators

The first tire specifically designed for automated guided vehicles (AGVs), the MICHELIN X AGV EV is also the first port tire to be EV marked, attesting that its low rolling resistance helps improve energy efficiency and increase battery life.
The tire comes with a patch inside that allows for easy fixing of the Michelin TPMS sensor to monitor tire pressure and temperature in real time.

Camso optimizes productivity in construction operations

Camso is helping construction companies improve productivity with two new tires, the Camso TLH 732+ for telehandlers and the Camso CWL 532 for compact wheel loaders, which is primarily intended for the Japanese market.

SPECIALTIES

Contactless, efficient, safe on-site maintenance

In 2021, Solideal On-Site Service, the on-site maintenance service of Camso, the world leader in off-the-road tires and tracks, delivered the amazing performance of replacing a customer tire every 57 seconds. During the health crisis, SOS, which operates 130 service centers and 245 mobile units in 17 countries, introduced a contactless on-site forklift tire replacement service.
In this way, it could safely service its customers, even during lockdowns, and enable essential industries like healthcare, food services and energy to continue operating.

AIRCRAFT TIRES

Michelin partners with Hope Aero to serve Flair Airlines and becomes the exclusive supplier to Air Premia

Michelin and Hope Aero will provide Canada-based Flair Airlines with a tire, wheel and brake maintenance service package based on MICHELIN Air X NZG tires, which deliver unmatched robustness, durability and fuel efficiency. The same tires will be fitted to the entire fleet flown by Air Premia, a South Korean start-up airline. They will avoid the emission of 9 to 16 kilograms of CO_2 per flight hour, depending on the aircraft[1].

NO. 1 The success of the MICHELIN City Grip 2 tire has consolidated Michelin's leadership of the European scooter tire market.

MICHELIN SCORCHER ADVENTURE was custom-designed for the Pan America™ 1250, Harley-Davidson's first trail motorcycle.

Michelin equips around one third of the world's commercial aircraft.

TWO-WHEEL TIRES

MICHELIN Wild Enduro Racing Line: a winning MTB tire

Intended for riders looking to squeeze every bit of potential out of their Enduro bikes, the new line has already proven its worth with wins in some of the world's most challenging races.

Michelin, the sole official supplier of MotoGP tires

Dorna Sports and Michelin have renewed their partnership in the premier class of motorcycle Grand Prix racing until at least 2026. MICHELIN will continue to be featured at trackside and will be the title sponsor of one Grand Prix each season.

(1) *Michelin North America for Flair September 14, 2021; Michelin Aircraft press kit for emissions.*

FOCUS

DELIVERING VALUE

In 2021, Michelin continued to expand in the most buoyant tire segments, in line with its commitment to delivering the right balance between People, Planet, Profit. This growth demonstrates that Michelin enjoys a number of sustainable competitive advantages, which customers clearly recognize and value, and which support and reinforce each other.

An in-depth understanding of usage patterns
We bring to market the innovations that make a difference, based on a thorough understanding of our customers' needs, their requirements and how they use their vehicles. This approach is built around an iterative process of observation, dialogue and analysis of data collected by connected tires. More than 200 field engineers help focus our research on the areas of greatest value to our customers.

Solid technological leadership
Not all tires are created equal. We commit €600 to €700 million a year to research, development and process engineering programs. As the source of major technological breakthroughs, Michelin holds an undisputed lead in the most demanding segments. Our materials science expertise and ability to process engineer complex products mean that we can translate an understanding of usage practices into performa nce features for customers, giving us a competitive edge in all our business segments.

Effective market access and services
We make it easy to purchase our tires through any channel. We offer services that enable customers to get the most out of their tires, make their travel easier, and improve the performance of our corporate customers. Together, these factors ensure customer satisfaction and brand loyalty.

The strength of the MICHELIN brand
The MICHELIN brand accounts for 70% of consolidated sales. Indicative of quality, safety and superior performance, it is the best known and most highly regarded tire brand in Europe, North America and China(1). It enjoys high trust and loyalty ratings among both OEMs and retail and corporate customers. The guides, maps and digital services businesses help foster and enhance the global appeal of the MICHELIN brand.

(1) Kantar, Brand Power Score (2021).

EXPANDING AROUND TIRES

Being the trusted partner to transportation professionals

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

- ***OFFER*** high value-added services based on a deep understanding of usage practices and data analytics.
- ***SUPPORT*** the transition to zero-emission fleets.
- ***CAPTURE*** opportunities enabled by the Internet of Things.
- ***EXPAND*** our customer base and geographic footprint.

STRATEGY

- ***TIRE AS A SERVICE***
Increase pay-per-use tire sales and develop custom-designed tire-related services.
- ***FLEET MANAGEMENT***
Optimize fleet operations and ease the transition to electrification with data analytics.
- ***DIGITAL SERVICE PLATFORM***
Facilitate fleet access to a wide selection of reliable service providers.
- ***IOT(1) & DATA***
Leverage, in new segments, our collected mobility data and our expertise in connected mobility.

SOLUTIONS TAILORED TO EACH CUSTOMER

MICHELIN

masternaut

NexTraq
A MICHELIN GROUP COMPANY

sascar
PAIXÃO PELA INOVAÇÃO
uma empresa do grupo Michelin

WATEA
by Michelin

maestro
powered by Michelin

DDi
Driving Data to Intelligence

(1) The Internet of Things.

TARGETED SEGMENTS

- **Managers and operators of truck,** bus and coach fleets.
- **Managers and operators of corporate** and commercial vehicle fleets, particularly in built-up environments.
- **Users of connected mobility data.**

PROGRESS MADE IN 2021

Michelin Connected Fleet: an umbrella brand for all the Group's fleet management solutions

With Masternaut in Europe, NexTraq in North America and Sascar in Latin America, MICHELIN Connected Fleet already serves 70,000 customers in 48 countries. The onboard telematics systems installed in their 600,000 managed trucks, trailers and other vehicles collect real-time data from 300 million trips a year. In-depth analysis of these data enables Michelin Connected Fleet experts to offer effective, custom-tailored action plans to fleet managers looking to optimize asset use, reduce costs, improve operating safety and reduce their environmental impact.

MoveElectric is optimizing the transition

By analyzing real-world mobility data from vehicles in service, MoveElectric, proposed by Masternaut, enables corporate fleet managers to accurately assess the benefits of moving to EVs, including greater efficiency, lower carbon emissions and higher margins. They can also identify which vehicles to replace first and optimize the roadmap to meet regulatory deadlines on the way to full fleet electrification by 2030.

Watèa: an all-in-one electric mobility solution for light truck fleets

In Europe, urban-based light truck users will soon have to shift to full electrification in compliance with new regulations. In response, Watèa was set up to make this transition as simple and easy as possible, by offering a customized, all-in-one monthly subscription. The solution includes a fleet of EVs suited to the company's needs, the installation of on-site recharging stations and access to a public grid, an application enabling drivers to monitor their remaining range, personalized services to optimize vehicle use and improve productivity, and long-term support. In all, a better way forward to electric mobility.

THE WORLD'S EIGHTH LARGEST OPERATOR

1.1 million vehicles under contract.

AN EXPANDING GLOBAL MARKET

Average growth in fleet management services 15% a year from 2020 to 2030.

Michelin partners with Arity to make US roads safer

Michelin DDI has partnered with Arity, a data analytics company founded by The Allstate Corporation, to help managers of the world's largest road network identify risk zones. This will be done by combining Arity's database of driving behavior data collected from more than 100 million consumer connections – the largest in the world – with Michelin DDI's driving behavior data analytics. The resulting insights will enable federal and local departments of transportation to prioritize capital projects to improve road infrastructure.

TotalEnergies joins the Better Driving Community

Initiated and led by Michelin DDI, the Better Driving Community ecosystem already included BNP Paribas Cardif, CGI and Colas, which all share a commitment to leveraging data to co-innovate for safer mobility[1].

(1) *Michelin DDI website.*

EXPANDING BEYOND TIRES

Leveraging our expertise in high-tech materials.

Michelin enjoys unrivaled expertise in high-tech materials, from their properties and possible combinations to their process engineering and applications. Already a core factor in the unique sustainable performance of the Group's tires, these capabilities are being enhanced and marketed to customers in other industries through a proactive policy of acquisitions, incubators and partnerships as part of specialized joint ventures.

OBJECTIVES

- **ESTABLISH POSITIONS**
  in profitable new, high-potential growth markets by leveraging our expertise in sustainable composite materials and products that offer customers business-critical properties.

STRATEGY

The high-tech materials business is organized around four divisions:

- **SUSTAINABLE FLEXIBLE COMPOSITES:**
  developing technologies, polymer components and composite solutions capable of delivering long-lasting high performance for demanding technical applications.
- **MEDICAL APPLICATIONS:**
  expanding the range of biocompatible products, in particular 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:**
  making the Symbio joint venture with Faurecia a world leader in hydrogen mobility systems.

FUTURE-FACING MARKETS

HIGH-TECH, SUSTAINABLE FLEXIBLE COMPOSITES

Composite solutions

Fenner, Fabri Cote, jamesdawson, mandals, CDI Energy Products, AIRCAPTIF, FENNER DUNLOP

Polymer components

ResiCare, AraNea Composite

Sustainable materials

PYROWAVE, enviro, Lehigh Technologies, BIOBUTTERFLY

JOINT VENTURES

Medical applications – with Altaris –

SOLESIS

Metal 3D printing – with Fives –

AddUp

Hydrogen Mobility – with Faurecia –

SYMBIO

SUSTAINABLE FLEXIBLE COMPOSITES

Strengthening our positions across the value chain.

TARGETED SEGMENTS

- **Composite solutions for demanding industrial applications:** belts, conveyors, high-performance polymer-based precision parts, coated fabrics, inflatable solutions.
- **Polymer components offering differentiating performance features:** specialty adhesives, composite reinforcing fibers.
- **Innovative production processes** for high-performance biosourced or recycled materials for tires and other applications.

SALES TARGET
€1.1 BILLION
in 2023

PROGRESS MADE IN 2021

ResiCare continues to realize its potential
Incubated by Michelin, ResiCare manufactures high-performance SVHC-free(1) resins.
An initial mobile production unit is now up and running at Michelin's Olsztyn plant in Poland, the main supplier of the Group's textile reinforcements.
In the forest products segment, ResiCare's collaboration with Allin has led to the market launch of the world's first eco-friendly plywood, R'PLY, which is made using Resi4FIT, an adhesive composed of a non-toxic, entirely biosourced reagent.

Michelin acquires AirCaptif, a specialty manufacturer of ultralight inflatable structures
French start-up AirCaptif offers modular solutions that are quick and simple to use, while weighing ten times less than steel.
They are being marketed primarily to customers in the aerospace, medical, construction, leisure and luxury goods industries.
AirCaptif has an innovation platform and advanced materials production capabilities.
Michelin's support will enable it to step up its expansion in new markets.

Fenner Precision Polymers acquires Lumsden Corporation, a conveyor belt and wire cloth manufacturer, and consolidates its leadership in the specialty belting market.
The new unit primarily serves customers in the food processing and mining industries.

Improving merchant ship fuel efficiency
Incubated by Michelin, the WISAMO(2) project is an automated, telescopic, inflatable wing sail system capable of improving the fuel efficiency of ro-ro ships, bulk carriers, gas carriers and oil tankers by 10% to 20%. The system can be retro-fitted on in-service vessels.
It will first be fitted on a merchant ship in 2022, when Michelin expects it to go into production.

(1) Substances of Very High Concern.
(2) Wing Sail Mobility.

MOBILITY EXPERIENCES

Guides, maps, mobile applications and exclusive offers that help nurture the MICHELIN brand's impact. Demonstrating the Group's commitment to a more sustainable world, the MICHELIN Guide's MICHELIN Green Star award, which honors chefs who are leading the way in sustainability, has been extended to the United Kingdom. Winemakers who have made a strong commitment to sustainable practices are now recognized with the Robert Parker Green Emblem.

MEDICAL APPLICATIONS

Leading-edge expertise in biomaterials.

Solesis, which joined the Group in 2018 with the acquisition of Fenner, develops and manufactures biocompatible components for use in regenerative medicine applications and cell and gene therapies. The company and its subsidiaries, Secant Group, Charter Medical and SanaVita Medical, employ 360 people in four production plants in North Carolina and Pennsylvania.

PROGRESS MADE IN 2021

A partnership to accelerate Solesis' speed of development
To quickly realize Solesis' high potential, Michelin sold a 51% stake[1] in the company to a new partner, Altaris, an investment firm focused exclusively on the healthcare industry.
At the same time, Michelin and Solesis entered into a research partnership to continue co-developing biopolymers.
The new alliances will help drive faster expansion in medical technology markets, which are growing by 10% to 20% a year depending on the segment.

METAL 3D PRINTING

A comprehensive range of solutions for manufacturers.

Metal additive manufacturing makes it possible to produce complex parts, using a highly flexible process and a minimum amount of material, and helps address critical supply chain issues. Michelin has been deploying this technology on an industrial scale for many years, acquiring the expertise that is now being leveraged by AddUp, a 50/50 joint venture created in 2016 with industrial engineering specialist Fives. AddUp markets a comprehensive range of metal 3D printing solutions comprising machines and software[3], consulting and training services, and component design and production. Its main markets are the medical, aerospace, luxury goods, machine tools and automotive industries.

30%
ANNUAL GROWTH IN DEMAND FROM 2020 TO 2030

PROGRESS MADE IN 2021

A machine for Industry 4.0 systems[4]
The new FormUp 350 machine stands apart for the speed and power of its software and its unparalleled array of possible configurations. Modular and scalable, it also delivers exceptional levels of productivity while enabling operators to work in complete safety thanks to its automated autonomous powder module.
AddUp, which has a production base of 40 machines in Europe, has opened a new six-machine workshop in Cincinnati, Ohio (United States).

SALES TARGET[5]
€100m in 2023
€500m in 2030

POTENTIAL MARKET
≈ $10bn in 2030
30% CAGR, 2020-2030

(1) *Based on an enterprise value of USD 475 million.*
(2) *For powder bed fusion (PBF) and directed energy disposition (DED) processes.*
(3) *l'Usine Nouvelle report of April 22, 2021 and the AddUP website.*
(4) *Total consolidated AddUp sales.*

HYDROGEN MOBILITY

A world leader in hydrogen fuel cell systems.

Together, hydrogen and battery-powered electric solutions will help achieve zero-emission mobility. In 2014, Michelin, which had been involved in hydrogen fuel cell[(6)] R&D since 2005, acquired a stake in Symbio, a pioneer in hydrogen fuel-cell range extenders for battery-powered EVs. In 2019, Michelin purchased the remaining shares in the company and partnered with Faurecia[(7)] in a commitment to making Symbio a world leader in hydrogen-powered mobility by combining Michelin's technological capabilities with Faurecia's systems integration expertise.

SALES TARGET[(8)]

€200 million in 2025,
€1.5 billion in 2030.

POTENTIAL MARKET

≈ **€6.5 billion** in 2030
40% CAGR, 2025-2030
France and Germany are planning to invest €9 billion in the hydrogen industry by 2030.

PROGRESS MADE IN 2021

New contracts and a new plant
New contracts signed in 2021 include one with Safra for 1,500 hydrogen buses and another with Stellantis to equip the carmaker's first hydrogen-powered commercial vehicles. In addition, the company is currently building a high-capacity plant in Saint-Fons, near Lyon. When it comes on stream in 2023, it will be the largest facility of its kind in Europe, with the ability to produce up to 50,000 systems. It will help create nearly 1,000 direct and indirect jobs, including 300 in research and innovation. By 2030, Symbio aims to produce 200,000 hydrogen systems a year for the automotive industry.

The future Symbio plant in Saint-Fons near Lyon, France.

(6) Hydrogen fuel cells generate electricity from the chemical reaction between hydrogen (supplied from an onboard tank) and oxygen (from the air). Emitting only water vapor, they can act as a primary or supplementary power source for all types of electric powertrains. Refueling times and range for a fuel-cell fitted vehicle are comparable to those of an internal combustion vehicle.

(7) Symbio is a 50/50 joint venture.

(8) Total consolidated Symbio sales.

1. I AM MICHELIN

- **Empowerment, which is practiced across the Group, unleashes the spirit of initiative, stimulates progress and innovation, deepens the sense of co-destiny and engagement, and nurtures collective intelligence through co-construction processes.**
- **To attract the talent we need today and in the years ahead, we are broadening the diversity of our teams and encouraging everyone to enhance their skills, develop their careers and help others to grow. We consistently identify the talents, capabilities and jobs that will enable us to make a difference and drive faster growth.**

50%
OF THE WORKFORCE IS UNDER 40 YEARS OLD

7,000
PEOPLE HIRED EVERY YEAR

MICHELIN IS REGULARLY VOTED ONE OF THE BEST PLACES TO WORK[2]. IN 2021, FOR EXAMPLE, THE GROUP WAS TOP-RANKED IN CHINA, SPAIN, FRANCE AND ROMANIA.

IN ACTION

PUTTING THE ICARE[1] LEADERSHIP MODEL INTO PRACTICE

To make every employee feel like a leader, Michelin North America employees launched the ICARE Leadership Network, whose on-site ambassadors have organized more than 100,000 events, webinars, podcasts and contests over the past 18 months, including many at recently acquired companies. A European version of the inspiring initiative is now being rolled out.

DIVERSITY IN ALL ITS FORMS

Since 2020, the Africa/India/Middle East region has been leading a project to address the issue of disability in India, where 64% of people with disabilities are unemployed. A partnership with Handicap International provided 1,450 hours of training and helped to deploy an equal opportunity policy. Since then, seven disabled people have been hired at the Chennai plant.

(1) Inspiring, Create trust, Awareness, Results, Empowerment.
(2) Ranked in the top three by benchmark studies in each country.

2. CUSTOMER FOCUS

Michelin wants to provide customers with an experience that reflects the quality of its products and services. This is why it strives to foster:

- **A seamless customer relationship, from purchase to after-sales service.**
- **An in-depth understanding of each customer's priorities and needs, to craft and deliver just the right solution.**
- **A trustworthy brand.**
- **The MICHELIN brand is renowned for its innovation capabilities and its commitment to supporting sustainable development.**

IN ACTION

A B2B E-BUSINESS SOLUTION CO-DESIGNED WITH USERS

Michelin North America has deployed a new online ordering system co-developed with its customers. More than 250 hours of cooperative working enabled the project team to design the new solution, which streamlines and simplifies interactions with both wholesalers and retailers. Outcomes include enhanced visibility on available inventory and optimized delivery times.

THE RIGHT SOLUTIONS AT THE RIGHT TIME

Upgrades to the Group's CRM[1] process and more effective data structuring are enabling Michelin's new loyalty program in China to proactively meet emerging customer expectations.

3. AGILE MICHELIN

In response to an increasingly volatile, unpredictable world, the Group is strengthening its agility and competitiveness by:

- **Building a world-class supply chain that is more efficient, shorter and more sustainable.**
- **Streamlining and standardizing product design and production processes with the Simplexity program.**
- **Identifying what really matters to customers and simplifying corporate and administrative operations with the Simply program.**
- **Supporting new operations with successful business models.**

IN ACTION

PUTTING COLLECTIVE INTELLIGENCE TO WORK IN THE SIMPLY PROGRAM

From diagnosis to implementation, the Simply program involved more than 3,000 people in Clermont-Ferrand, France, and Greenville, South Carolina. They compiled a total of 450 complex situations addressed on a day-to-day basis, involving 17 corporate functions and cross-unit projects. The simplification solutions were developed in dedicated workshops attended by front-line operators and union representatives. The process has now been conclusively identified as a best practice for resolving a wide range of issues and is scheduled for deployment across the Group.

MORE THAN

3,000

INVOLVED TO SIMPLIFY OUR WAY OF WORKING

(1) Customer Relationship Management.

4. INNOVATION ACCELERATION

Michelin has defined three pathways to becoming as innovative in markets around and beyond tires as it is with tires:

- **Broadening the scope of application for its expertise and harnessing its non-tire innovations.**
- **Leveraging its innovation capabilities and shortening time-to-market by expanding its networks, unleashing entrepreneurial energy, and deploying new organizations, methods and digital resources.**
- **Embedding materials and connected services deep in its future advances, while maintaining its leadership in tires.**

IN ACTION

INCUBATORS, CHALLENGES AND HACKATHONS

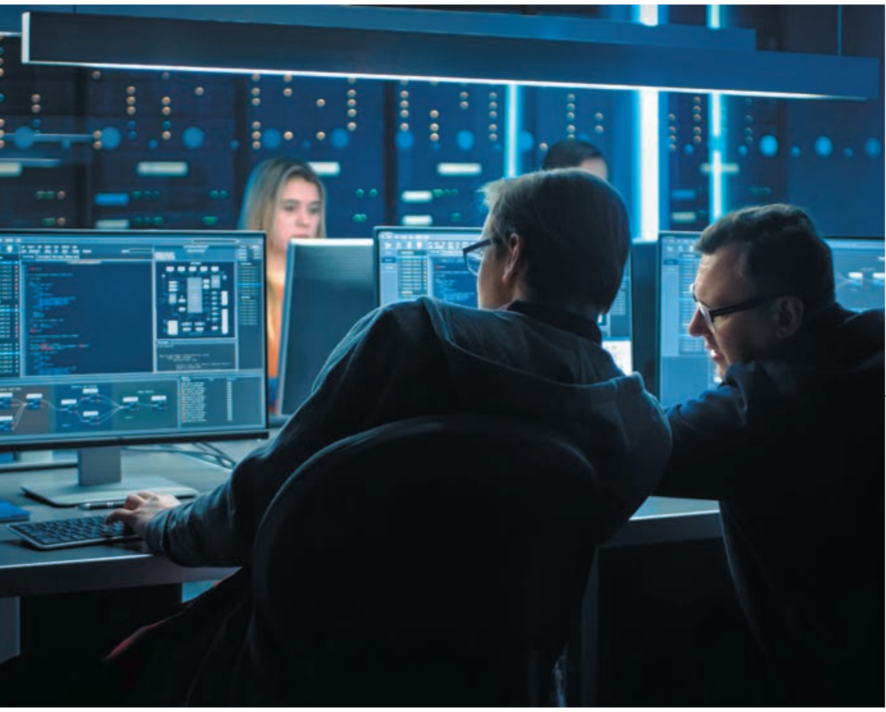
At Michelin, innovation is being stimulated both internally and externally. The Group is extensively involved in innovation ecosystems, and has set up an investment fund for innovative companies and offers an incubation program[1] for startups in Europe, China and the United States. In this way, it is identifying and helping to accelerate projects and startups that will support its future growth in businesses around and beyond tires.

300
RESEARCH PARTNERSHIPS

MOVIN'ON, THE GLOBAL INNOVATION ECOSYSTEM FOR SUSTAINABLE MOBILITY

Created at Michelin's initiative, Movin'On brings together more than 300 organizations and companies across 60 countries. In 2021, its governance body was expanded to the chief executive officers of twelve leading multinationals[2].
The new structure will facilitate innovation and experimentation in the ecosystem's communities of interest. Organized around a given topic, these working groups are deepening our understanding of the issues and imagining possible solutions for meeting societal needs and reducing environmental impacts.

(1) Michelin Ventures and the Incubator Program Office (IPO).
(2) Accenture, BNP Paribas, CMA CGM, DHL Supply Chain, Faurecia, Michelin, Microsoft, Renault, Solvay and Vinci.



5.
A DATA-DRIVEN COMPANY / CAPTURING AND MINING DATA

Michelin wants to leverage the digital transformation to do things better and faster in every aspect of its business. This goal is being pursued with three projects to digitalize.

- **Our products and services, to improve product efficiency and broaden the services portfolio with increasingly personalized solutions.**
- **Our customer relationships, to streamline our interactions and monetize all our collected data.**
- **Our business processes, to maximize the operating performance of our research and development, production and corporate support functions.**

IN ACTION

VOICE OF THE CUSTOMER FOR NEW INSIGHTS

Developed by data, marketing and quality experts, the Voice of the Customer artificial intelligence application analyzes the natural language replies of people when asked why they are satisfied or not after purchasing a Michelin tire. Applied to employee answers to the Moving Forward Together survey, the same algorithm enables managers to respond more effectively to comments from their team members.

EQUIPPING MICHELIN PLANTS WITH DATA LAKES[1]

By late 2021, more than 5,000 data lake applications had been locally developed for use in Michelin production facilities, based on the same, highly acclaimed solution. Condition-based maintenance is now widely deployed, enabling machines to generate their own service requests. Some 60% of production cells already use the Digital MDP [2] system, with full roll-out across the manufacturing base scheduled for 2022. Virtual reality applications are being used in the workshops, particularly for training purposes.

(1) Unlike simple data storage, data lakes are continuously replenished with raw data that can be retrieved in a variety of formats for analysis.
(2) The Managing Daily Performance visual management system, based on the graphical representation of data.

6. ALL IN ACTION FOR THE ENVIRONMENT

The Group has defined ambitious objectives to reduce its environmental footprint and, in certain cases, have a positive impact on the planet:

- **Carbon neutrality: halve carbon emissions from its production operations and energy use by 2030[1] and become carbon neutral by 2050[2].**
- **Circular economy: ensure that 40% of the materials used in its tires are sustainable by 2030[3] and 100% by 2050.**
- **Water: reduce water withdrawals by 33% by 2030 and have no impact on water availability in local communities by 2050.**
- **Biodiversity: protect biodiversity across the value chain and meet the objectives of its Biodiversity Roadmap for the 2020-2030 period.**

4 BILLION

RECYCLED PLASTIC BOTTLES COULD BE REUSED IN THE MICHELIN TIRES OF TOMORROW.

- **CO_2 REDUCTION OBJECTIVES** approved by the Science Based Targets initiative (SBTi)[6].
- **PROCESS HEAT** from the production machinery in the Cataroux facility will be recovered to heat both the plant and 3,000 homes connected to the Clermont-Ferrand metropolitan area's district heating network.
- **DECARBONIZING FREIGHT TRANSPORTATION AND LOGISTICS** is the ambition of the Coalition for the Energy of the Future, an alliance of 14 multinational corporations[7], has launched its first seven projects in 2021.

IN ACTION

LIFECYCLE ASSESSMENTS AND ECO-DESIGN

Lifecycle assessments (LCAs) are now being used to guide design choices from raw materials to recycling solutions. With its 4R strategy – Reduce, Reuse, Recycle, Renew – Michelin is using only what it needs and is firmly engaged in the circular economy. This means doing more with less by designing lighter, safer tires that deliver higher, longer lasting performance, and reducing their rolling resistance to improve their in-use energy efficiency. Already applied to products in current production, LCAs are beginning to be used to assess service solutions.

PARTNERSHIPS FOR 100% SUSTAINABLE TIRES

Michelin is helping to develop innovative technologies that will enable it to make its tires entirely from sustainable materials by 2050. Examples include bio-butadiene with Axens, IFPEN and Tereos; styrene[4] from waste plastics with Pyrowave; micronized powders from recycled tires with Lehigh Technologies; carbon black, pyrolysis oil, gas and steel from end-of-life tires with Enviro[5]; and bio-recycling of PET plastics with Carbios. Michelin is also producing eco-friendly natural rubber with Barito Pacific in Indonesia.

(1) (2) (3) Compared with 2010.
(4) Styrene is a component in synthetic rubber.
(5) The partnership involved the acquisition of a 20% shareholding.
(6) 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 1.5°C pathway.
(7) Airbus, AWS, Bureau Veritas, Carrefour, CMA CGM Group, Cluster Maritime Français, Crédit Agricole CIB, ENGIE, Faurecia, Michelin, PSA International, Schneider Electric, Total Energies and Wärtsilä.

FOCUS

VALUING OUR IMPACTS

Developed by a Michelin team, the WISAMO inflatable wing sail will improve the fuel efficiency and carbon footprint of cargo ships.

Every human activity has an impact on the environment, society and the economy, which is not always measured in monetary terms. These impacts, known as externalities, can be positive or negative. To improve stakeholder awareness of these issues and the Group's ability to factor them into its management, Michelin is now valuing its externalities in euros, in a process that will be further expanded in the years ahead.

Valuing three externalities
The Group began by valuing three negative externalities: (i) its CO_2 emissions from all of Scopes 1 and 2 (production operations and energy purchases) and part of Scope 3 (transportation of natural rubber, semi-finished products and finished products to dealerships); (ii) its use of solvents generating volatile organic compounds (VOCs); and (iii) its water withdrawals, including both consumption and discharges.
This initial valuation was performed on the basis of volumes in 2019, the last year before the health crisis. Based on avoidance costs, the total impact stood at €508 million[1].

€300 million in capital expenditure a year
Michelin is committed to reducing the euro impact of these three externalities by 7.5% by 2023[2], despite the projected increase in volumes over the period.
The levers used to achieve this include (i) lowering consumption and transitioning to clean energy; (ii) deploying a more local-to-local organization and shifting to multimodal transport; (iii) recycling and reusing water; (iv) upgrading solvent-based products and processes; (v) digitalizing operations; and (vi) instilling best practices.
More generally, the Group plans to invest some €300 million a year over the 2021-2023 period to make its operations and products more sustainable.

Michelin joins the Value Balancing Alliance
To take its approach to the next level, in late March 2021 Michelin joined the Value Balancing Alliance, which comprises around 20 multinational companies representing a variety of industries.
The Alliance is dedicated to developing a methodology capable of translating environmental and social impacts into comparable financial data. In this way, decision makers and investors can access comparable, easily understandable metrics covering every aspect of sustainable performance.

(1) For more information see section 4.1.4.5 of the 2021 Universal Registration Document.
(2) Based on the current scope of the tire business.

«Over the past ten years, Michelin has been diligently enhancing the quality and effectiveness of its governance practices, with continuous improvement over time.»

MICHEL ROLLIER

CHAIRMAN OF THE SUPERVISORY BOARD
FROM MAY 2013 TO MAY 2021

«Michel Rollier helped to create an open, inclusive atmosphere that enables us to freely discuss important business issues. I shall strive to ensure that this spirit of openness, fostered by the Board's diverse membership and the quality and richness of its deliberations, continues to inspire the Managers.»

BARBARA DALIBARD

CHAIR OF THE SUPERVISORY BOARD

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.

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), overseen and led by a balanced, robust and responsive governance structure. The SCA 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 focused on driving continuous improvement in the Group's governance system and practices, in compliance with the recommendations of the AFEP/MEDEF Code[1].

The Managers

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

The Supervisory Board

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, the Group's social responsibility policies, and the election or dismissal of Managers and their compensation.
The Supervisory Board is currently comprised of 11 members:

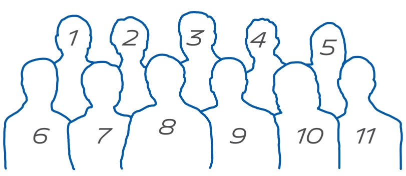
- nine members elected for four-year renewable terms by shareholders at the Annual Meeting. They offer a broad set of complementary skills, honed by the solid business experience acquired through working with leading corporations;
- two members representing employees, appointed by their trade union. They attend a training and induction program that prepares them to perform their duties as effectively as possible.

Société Auxiliaire de Gestion (SAGES)

As the Non-Managing General Partner responsible for ensuring the Company's continuity of leadership, SAGES participates, with the Supervisory Board, in the Manager succession and compensation processes. However, it is not involved in management except in the exceptional case when there is no Managing General Partner, and then only for a maximum period of 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 meeting, entitled Michelin, a robust and dynamic governance, may be found on the michelin.com website.

THE MANAGERS AND THE EXECUTIVE COMMITTEE AT DECEMBER 31, 2021



The Managers are assisted by a nine-member Executive Committee.
1. Jean Claude Pats Executive Vice President, People • **2. Maude Portigliatti** Executive Vice President, High-Tech Materials • **3. Scott Clark** Executive Vice President, Automotive, Motorsports, Experiences and Americas Regions • **4. Serge Lafon** Executive Vice President, Specialties and Africa/India/Middle East, China, East Asia and Australia Regions • **5. Lorraine Frega** Executive Vice President, Distribution, Services & Solutions, Strategy, Innovation and Partnerships • **6. Jean-Christophe Guerin** Executive Vice President, Manufacturing • **7. Bénédicte De Bonnechose** Executive Vice President, Urban and Long-Distance Transportation and European Regions • **8. Florent Menegaux** Managing Chairman • **9. Yves Chapot** General Manager and Chief Financial Officer • **10. Adeline Challon-Kemoun** Executive Vice President, Engagement and Brands • **11. Éric-Philippe Vinesse** Executive Vice President, Research & Development

THE MANAGERS

Florent Menegaux and Yves Chapot were re-elected to new terms ending in 2026.

EXECUTIVE COMMITTEE

The Group Executive Committee focuses on strategic issues and decisions, such as corporate transformations (particularly the digital transition), the business model, acquisitions, performance management, brand strategy and sustainable growth.

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, Finance, Legal Affairs, Quality, Supply Chain, Strategy & 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 Corporate & Business Services (CBS or shared services) unit and the internal control, quality and risk management processes.

A CUSTOMER-CENTRIC ORGANIZATION

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

19
GLOBAL BUSINESS LINES
design solutions for customers sharing similar expectations.

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

6 Operating Units **provide their expertise and support.**

1
LEAN CORPORATE UNIT
comprises departments focused on their strategic missions.

Constructive stakeholder dialogue

By providing deeper insight into expectations and how they are changing, stakeholder dialogue helps Michelin to make better decisions. Michelin actively encourages and practices such dialogue locally, nationally and globally. Since 2016, a Stakeholders Committee has brought 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.

THE SUPERVISORY BOARD

As of December 31, 2021, the Supervisory Board had 11 members, including eight independent members, two employee representatives, five women and three non-French nationals. It met 8 times in 2021 with an attendance rate of 100%.

1. Barbara Dalibard, Chair

2. Thierry Le Hénaff, Senior Independent Member

3. Patrick de la Chevardière, independent member, Chair of the Audit Committee

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

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

6. Anne-Sophie de la Bigne, independent member

7. Aruna Jayanthi, independent member

8. Wolf-Henning Scheider, independent member

9. Jean-Michel Severino, independent member

10. Jean-Christophe Laourde, member representing employees

11. Delphine Roussy, member representing employees

11 MEMBERS
including
1 Senior Independent Member
2 members representing employees

89%
ARE INDEPENDENT*
45% are women*
33% are non-French nationals*

8 MEETINGS IN 2021
100% attendance rate

Board Committees

AUDIT COMMITTEE
- Patrick de la Chevardière, Chair
- Aruna Jayanthi
- Monique Leroux
- Wolf-Henning Scheider

COMPENSATION AND APPOINTMENTS COMMITTEE
- Jean-Pierre Duprieu, Chair
- Anne-Sophie de la Bigne
- Thierry Le Hénaff, Senior Independent Member
- Delphine Roussy

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE
- Monique Leroux, Chair
- Anne-Sophie de la Bigne
- Jean-Christophe Laourde
- Jean-Michel Severino

(*) Excluding members representing employees.

A WELL-PREPARED SUCCESSION

2021 saw the departure of Michel Rollier, Chairman of the Supervisory Board since 2013 after having served as Managing General Partner from 2005 to 2012 and Chief Financial Officer before that. In accordance with the announcement issued in December 2020, the Supervisory Board met after the close of the Annual Meeting on May 21, 2021 and elected Barbara Dalibard as its new Chair.

A member of the Supervisory Board for 13 years, **Barbara Dalibard,** 63, 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. A technology enthusiast, since 2016 she has been Chief Executive Officer of SITA, the world's leading specialist in air transport communications and information technology.

Mr. Rollier was replaced as a member of the Board by **Wolf-Henning Scheider**, Chief Executive Officer of Germany's ZF Friedrichshafen AG, one of the world's top ten automotive equipment manufacturers. He was elected in particular due to his experience in the automotive industry.
At the Meeting, shareholders also ratified the appointment of **Jean-Michel Severino**, Chief Executive Officer of Investisseurs et Partenaires, a specialist in impact investing and a member of the new Corporate Social Responsibility Committee.

BARBARA DALIBARD has a solid INTERNATIONAL EXPERIENCE and a real passion for INNOVATION

MUTUALLY SUPPORTIVE, CONTINUOUSLY IMPROVED GOVERNANCE

A 3RD COMMITTEE dedicated to corporate social responsibility

In 2020, the Supervisory Board set up a third committee, dedicated to corporate social responsibility, and was joined by a second employee representative.

In 2021, the Board approved two amendments to its Bylaws, supported by the General Partners, that:

- simplified the calculation of the share of profits awarded to the General Partners and linked the amount attributable to the Managers to the objectives previously set by the Supervisory Board.
- limited the share of profit awarded to SAGES to the amount attributable to the Managers and stipulated that free shares may be awarded to the them.

With the new strategic plan for 2030 now underway, SAGES proposed that the Supervisory Board **re-elect Florent Menegaux and Yves Chapot as Managers for new four-year terms, expiring at the close of the 2026 Annual Meeting**. The motion was unanimously approved by the Board in July 2021.

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 200,000 shareholders, including nearly 140,000 private investors, 62,000 employees through the employee share ownership plan and more than 4,100 institutional investors. All of them hold their shares in registered form, which supports effective, high-quality shareholder dialogue. 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. Through its recommendations, the Shareholder Consultative Committee has been steadily enhancing communication with private shareholders since 2003. In 2021, the format was streamlined with the creation of a new Michelin Shareholder Committee comprising six members, half of whom are private investors and the other half employee shareholders.

Beginning in 2021, **Michelin intends to raise its payout ratio to around 50%** of consolidated net income before non-recurring items, instead of the previous 35%. As of end-2021, a shareholder who had invested €1,000 in Michelin stock in 2011 and reinvested all of his or her dividends would have an investment worth around €4,200, for a total ten-year return of 324%(1). Michelin regularly carries out share buyback transactions only to offset the dilution caused by performance share grants and employee share ownership plans.

Ownership structure and voting rights

AT DECEMBER 31, 2021

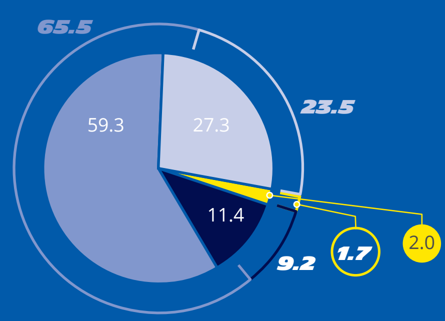
Shares held in the same name for at least four years carry double voting rights.

SHARES OUTSTANDING

178,530,450

VOTING RIGHTS OUTSTANDING

238,147,046



Share capital	Voting rights
French institutional investors(2)	
Non-resident institutional investors	
Individual shareholders	
Employee share ownership plan	

(1) Before French withholding taxes.

(2) Of which 4% held by the Michelin family via Mage Invest.

SHARED RULES AND PRACTICES GOVERNING ETHICS, INTEGRITY AND COMPLIANCE

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. Ethics Committees have been set up in each region. 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 any violations.

Respecting people and the environment

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.

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.

All of the production plants have deployed an environment, health and safety (EHS) management system. 93% of them, accounting for 99% 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.

Around the world, Michelin is committed to improving tire standards and regulations to make tires safer, facilitate their recycling and combat their planned obsolescence. The Group lobbies responsibly and complies with the highest standards of transparency applicable to relations between companies and public authorities.

Responsible transformations

In response to the ongoing structural shifts in the global tire market, Michelin is constantly realigning its operations, with all due care and respect for the people and communities concerned. Each of the impacted employees is supported in pursuing their careers both within and outside the Group. Michelin is also committed to repurposing closed sites and to creating as many new jobs as were eliminated, either through growth in its new business operations or through programs to revitalize local labor markets.
This same commitment is guiding the plan to simplify and improve the competitiveness of the Group's corporate, administrative and manufacturing operations in France. Initiated in January 2021, the plan will lead to the elimination of up to 2,300 jobs over three years. Its implementation, which will not entail any layoffs, is based on a three-year framework agreement and an innovative co-construction and social dialogue process with each facility and operating unit concerned.

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, Quality, 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.

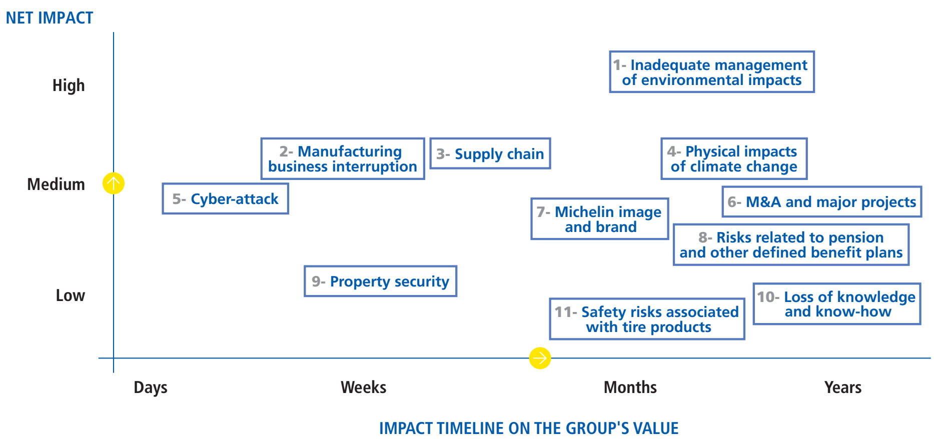
Global insurance programs have been arranged for the most significant insurable risks, including property & casualty/business interruption, liability, accidental pollution and cyber risk. They cover all of the Group's majority-owned subsidiaries.

For more information about risks and how they are managed, see Chapter 2 Risk Management and Chapter 4 Non-Financial Performance, materiality matrix in the Universal Registration Document.

CSR issues and the materiality matrix

To identify and manage its main social responsibility issues, the Group uses a materiality matrix that reflects stakeholder perceptions. The matrix was revised in 2021, updating how issues are identified and ranked(1).

The 11 highest-impact risk factors specific to the Michelin group



(1) See chapter 4, section 4.1 of 2021 URD.

FOCUS

BUILDING SYNERGIES

In recent years, Michelin has completed around 20 significant transactions, including acquisitions, joint ventures, equity stakes and partnerships, with companies of all sizes. It has consistently taken a pragmatic approach with the same objective in mind: to combine forces and build synergies to do things faster and better.

Selective acquisitions. During the year Michelin strengthened its tire and tire distribution business by (i) expanding its portfolio and creating the world's leading off-the-road tire manufacturer with Camso; (ii) increasing capacity in Indonesia to serve Southeast Asian markets with Multistrada; and (iii) broadening its online retailing capabilities with BlackCircles and Allopneus. In tire-related services, the Group expanded its digital fleet management operations with Sascar, NexTraq and Masternaut. In the non-tire segment, the acquisition of Fenner has opened up new fields of application where the Group can harness its expertise in high-tech materials.

Joint ventures between leaders. To enhance the potential of its member companies, Michelin has formed a number of joint ventures with other leaders, based on the complementary nature of their positions and capabilities. Examples include (i) TBC, a leading North American tire wholesaler formed with Sumitomo; (ii) AddUp, a leader in metal 3D printing created with Fives; and (iii) Symbio, now being expanded with Faurecia to become a world leader in hydrogen mobility.

Incubation and support for high-tech start-ups. Michelin is shortening time-to-market for innovative technologies in materials and sustainable solutions by working with start-ups, either to provide incubation support (e.g., ResiCare, which makes SVHC-free resins) or to help engineer their production processes (e.g., Carbios, Enviro and Pyrowave, which offer advanced recycling solutions).

An efficient selection, integration and control process. To manage these projects, a governance system has been set up under the responsibility of the Managers, supported by the Mergers/Acquisitions department. Projects in excess of €50 million are reviewed by the Supervisory Board, which issues an opinion ahead of any binding letter of intent. For each acquisition, an integration plan is deployed under the supervision of an Executive Committee member. Twice a year, the Managers report to the Board on the integration of acquisitions carried out over the preceding four years. Their strategic fit, quality of management and synergies are all assessed according to specific criteria, to ensure that the expected value is effectively created to help realize the robust, profitable growth ambitions of the Michelin in Motion strategy.

PERFORMANCE & AMBITIONS

> « Our capital allocation policy is designed to strike the right balance between investing in growth, maintaining a reasonable amount of debt and sharing value with our stakeholders. »

YVES CHAPOT

CHIEF FINANCIAL OFFICER

RATING AGENCIES CONFIRMS THE GROUP'S ROBUST FINANCIAL POSITION

CREDIT RATINGS
AT DECEMBER 31, 2021

	Standard & Poor's	Fitch	Moody's*
Short term	A2	F2	-
Long term	A-	A-	A3
Outlook	Stable	Stable	Stable

MICHELIN IS A LEADING PLAYER IN SUSTAINABLE MOBILITY, RECOGNIZED BY THE NON-FINANCIAL RATING AGENCIES

NON-FINANCIAL RATINGS
AT DECEMBER 31, 2021

	2021 RATINGS
CDP CLIMATE	A
CDP WATER	B
ECOVADIS	78/100
ISS ESG	B-
MSCI	AAA
VIGEO EIRIS	73/100
SUSTAINALYTICS *(risk rating)*	Low risk

(*) Moody's ratings have not been solicited since July 2020.

PEOPLE

2030 AMBITION

SET THE GLOBAL STANDARD
FOR EMPLOYEE ENGAGEMENT, WITH A RATE OF MORE THAN 85%

EMPLOYEE ENGAGEMENT RATE(1)

2019	2020	2021	2030
80%	82%	80%	>85%

SET THE GLOBAL STANDARD
IN WORKPLACE SAFETY

WORKPLACE SAFETY TOTAL CASE INCIDENT RATE(2)

2019	2020	2021	2030
1.43	1.19	1.29	<0.5

SET THE STANDARD
FOR EMPLOYEE DIVERSITY AND INCLUSION

DIVERSITIES AND INCLUSION
IMDI DIVERSITIES & INCLUSION MANAGEMENT INDEX(3)

2019	2020	2021	2030
-	62/100	67/100	80/100

LEAD THE INDUSTRY
IN CREATING CUSTOMER VALUE

CUSTOMER SATISFACTION: PARTNER NET PROMOTER SCORE

2019	2020	2021	2030
38	40.3	38.9	up 10 pts *vs. 2020*

For more information:
download the ESG data spreadsheet from our website

(1) Based on the 2021 scope of reporting, the 2020 rate was 82%, versus 83% as reported based on the 2020 scope.
(2) Number of accidents and cases of occupational illness recorded per 200,000 hours worked.
(3) IMDI: A composite metric that tracks diversity and inclusion in five areas: Gender balance, Identity, Multi-national management, Disability, and Equal opportunity.

PLANET

2030 AMBITION

REDUCE CO_2 EMISSIONS FROM OUR PRODUCTION PLANTS BY 50% ***VS. 2030 TO BECOME CARBON NEUTRAL IN 2050***

SCOPE 1 AND 2 CO_2 EMISSIONS

PRODUCTION OPERATIONS AND ENERGY USE,
(in millions of tonnes of CO_2, base 100 in 2010)

2010	2019	2020	2021	2030
3.88	2.92	2.46	2.67	1.94
100	75	63	71	down 50% *vs.* 2010

IMPROVE THE ENERGY EFFICIENCY OF OUR PRODUCTS BY 10% BY 2030 TO HELP ACHIEVE ***CARBON NEUTRALITY IN USE***

PRODUCT/TIRE ENERGY EFFICIENCY(1)

2019	2020	2021	2030
-	100	100.5	**up 10%** *vs.* 2020

SET THE GLOBAL STANDARD ***FOR THE ENVIRONMENTAL FOOTPRINT OF MANUFACTURING FACILITIES***

ENVIRONMENTAL FOOTPRINT OF MICHELIN PRODUCTION PLANTS (I-MEP MICHELIN)(2)

2019	2020	2021	2030
100	*not consistent*	92.6	**down one-third** *vs.* 2019

ENSURE THAT 40% OF THE MATERIALS USED IN OUR TIRES ARE SUSTAINABLE BY 2030 AND 100% BY 2050

RENEWABLE(3) OR RECYCLED MATERIALS USED IN MAKING A TIRE

2019	2020	2021	2030
26%	28%	29%	40%

For more information:
download the ESG data spreadsheet from our website

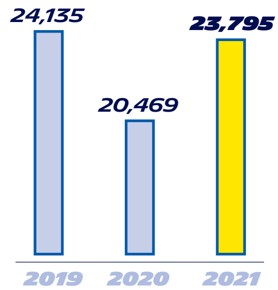
(1) Reduction in the rolling resistance of the Passenger car, Light truck and Truck tires.
(2) The "industrial - Michelin Environmental Performance" metric is a weighted indicator that tracks energy use, CO_2 emissions, organic solvent use, water withdrawals, and waste production.
(3) Renewable bio-based materials are made from raw materials derived from natural resources that are naturally replenished on a human timescale, such as biomass.

PROFIT

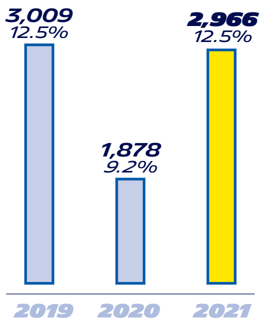
€1.7BN
INVESTED IN 2021

SALES
(in € millions)

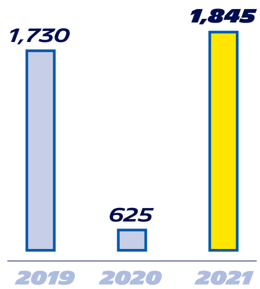
2030 AMBITION
average annual growth in sales of ***5%*** between 2023 and 2030, with 20% to 30% of sales generated by businesses other than tire manufacturing and distribution in 2030.



OPERATING INCOME(1)
(in € millions and as a % of sales)

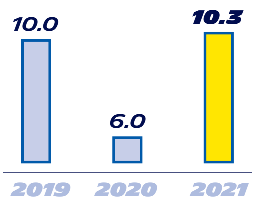


NET INCOME
(in € millions)

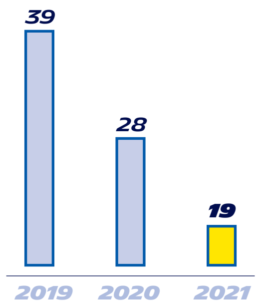


RETURN ON CAPITAL EMPLOYED
(%)

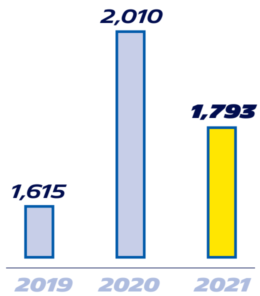
2030 AMBITION
Continuously create value between 2023 and 2030 with an ***ROCE OF MORE THAN 10.5%*** each year.



NET DEBT
(as a % of equity)



STRUCTURAL FREE CASH FLOW
(in € millions)



Brand vitality indicator(2)

	2020	2021	2030
Brand vitality	58	68	up 5 pts vs. 2021

2030 AMBITION
Maintain the strength of the MICHELIN brand

Product/service vitality indicator(3)

	2020	2021	2030
Product/service vitality	33%	31%	>30%

2030 AMBITION
Maintain the sustained pace of product and service innovation

(1) Segment operating income.
(2) Single score composite indicator which summarizes the current vitality of the brand. It is based on five key indicators: brand purpose, innovation, communication, brand experience and love.
(3) Share of products and services launched over the last three years in annual sales.

THE MICHELIN SHARE

According to statistics collected by Euronext Paris.

TRADED ON THE EURONEXT PARIS

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

MARKET CAPITALIZATION

€25.7BN
at December 31, 2021

AVERAGE DAILY TRADING VOLUME

435,955
shares in 2021

STOCK INDEX WEIGHTINGS

CAC 40: 1.47%
of the index at December 31, 2021

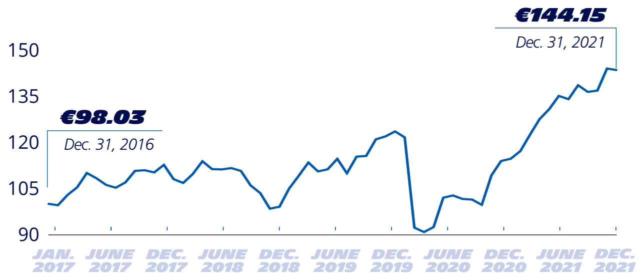
EURONEXT 100: 0.67% *of the index at December 31, 2021*

SRI INDICES

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

SHARE PERFORMANCE

Michelin share performance, December 2016 – December 2021



SHARE INFORMATION

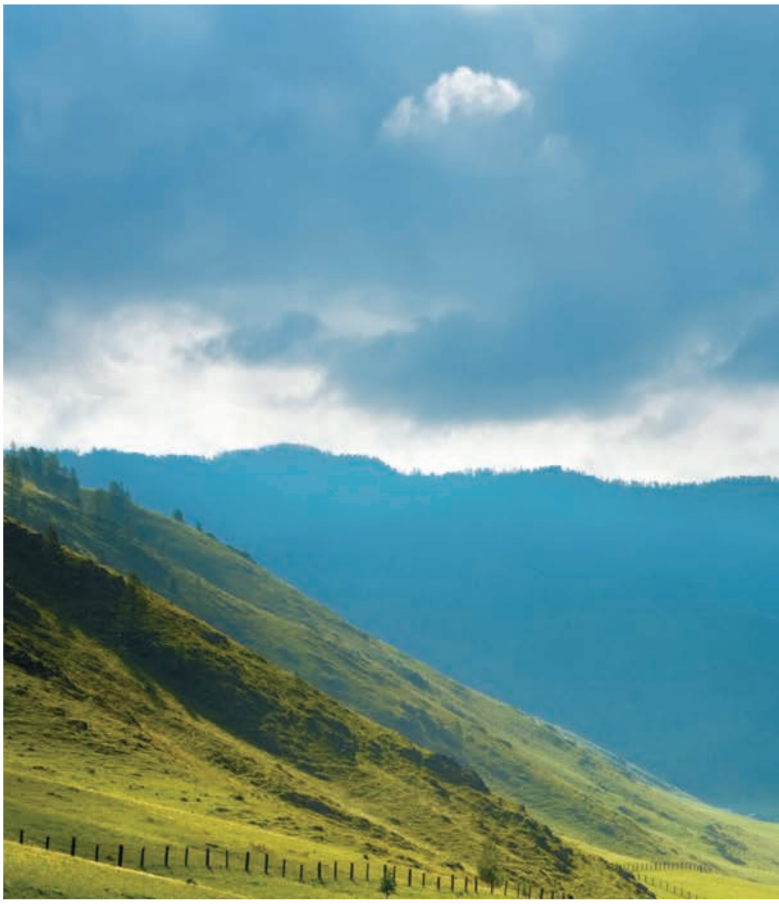
Share price (in €)	2021	2020	2019	2018	2017
High	146.00	112.80	119.50	130.85	128.40
Low	103.30	68.00	83.74	82.68	98.93
Closing price, end of period	144.15	104.95	109.10	86.70	119.55
Change over the period	+37.35%	-3.80%	+25.84%	-27.48%	+13.10%
Change in the CAC 40 index	*+28.85%*	*-7.14%*	*+26.37%*	*-10.95%*	*+9.26%*

PER SHARE DATA

(in € per share, except ratios)	2021	2020	2019	2018	2017
Net assets per share	83.9	70.8	74.1	67.8	62.7
Basic earnings per share	10.31	3.52	9.69	9.30	9.39
Diluted earnings per share(1)	10.24	3.51	9.66	9.25	9.34
Price-earnings ratio	14.0	29.8	11.3	9.3	12.7
Dividend for the year	4.50*	2.30	2.00(3)	3.70	3.55
Payout ratio	42.0%	47.0%	19.5%	36.4%	36.0%
Yield(2)	3.1%	2.2%	1.8%	4.3%	3.0%

** Subject to approval by the Annual Meeting of May 13, 2022.*
(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.
(3) Instead of the recommended €3.85, as a result of the Covid-19 crisis.

OUTLOOK



IN 2022

In 2022, in a still highly unsettled environment, Passenger car and Light truck tire markets are expected to expand by 0% to 4% over the year, Truck tire markets by between 1% and 5%, and Specialty markets by 6% to 10%. In this market scenario, and barring any new systemic impact from Covid-19[1],Michelin's objective is to report full-year segment operating income in excess of €3.2 billion at constant exchange rates[2] and structural free cash flow[3] of more than €1.2 billion.

IN 2023

THE GROUP CONFIRMS ITS 2023 TARGETS:

- More than €3.3 billion in segment operating income at January 2021 exchange rates
- A 13.5% segment operating margin
  - >12% in Automotive and related distribution
  - >10% in Road transportation and related distribution
  - >17% in Specialty businesses and related distribution
- €3.3 billion in total 2022-2023 structural free cash flow
- A more than 10.5% ROCE

The Group is continuing to deploy its simplification and competitiveness plans, but with inflation running well above the recent-year average, their delivered savings will not be enough to offset rising costs, as announced at the Capital Markets Day on April 8, 2021.

OVER THE PERIOD TO 2030

THE GROUP EXPECTS TO DELIVER GROWTH THAT IS ROBUST,

averaging 5% a year; profitable, with an ROCE of at least 10.5% a year; and driven by tire-related and other businesses, which at period-end will represent 20% to 30% of consolidated sales.

(1) Serious supply chain disruptions or restrictions on freedom of movement that would result in a significant drop in the tire markets.
(2) See the presentation of the 2021 annual results on www.michelin.com.
(3) Structural free cash flow corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw material prices on trade payables, trade receivables and inventories.

5 REASONS TO INVEST IN MICHELIN

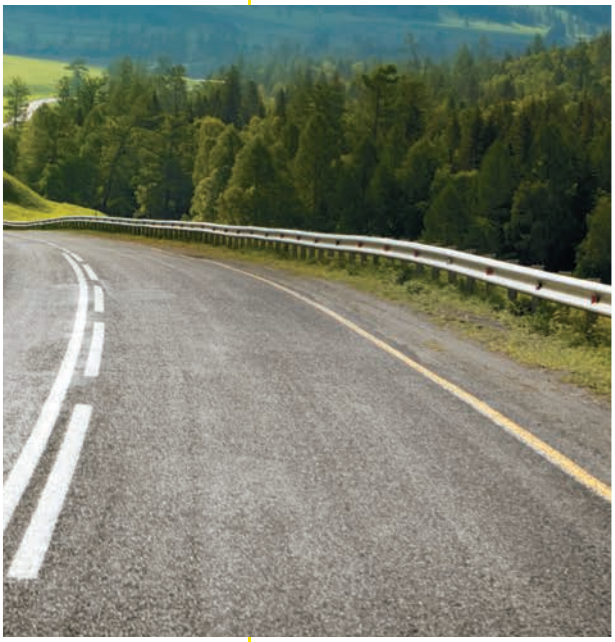
BE A PARTNER TO THE WORLD LEADER IN SUSTAINABLE MOBILITY, i.e., mobility that is safer, more efficient, more accessible and more environmentally friendly.

HELP FUND THE GROWTH OF A GROUP WHOSE DRIVING FORCE IS INNOVATION for the benefit of everyone, at a time when it is moving into new future-facing businesses.

FEEL A PART OF MICHELIN, a world-renowned French brand with an extraordinary capital of trust and affinity.

OWN A STAKE IN A COMPANY WHOSE GOVERNANCE SYSTEM IS SUSTAINABLY ROBUST, engaged and responsible.

SUPPORT MICHELIN'S ALL SUSTAINABLE VISION and share in the balanced value created by combining financial, employee, environmental and social responsibility performance.



CHECK OUT THE VIDEO
"Reasons to invest in Michelin".

Scan the QR code with your smartphone to watch the video.

Already a world leader in workplace safety and employee engagement, our aim is to continue making further progress.

02

RISK MANAGEMENT

RISK MANAGEMENT 02

IMPACTS OF THE UKRAINE CRISIS ON THE RISK FACTORS

The impacts of the crisis in Ukraine, while not specific to the Group, have had the effect of exacerbating certain risks or families of risks that are specific to the Group, such as the manufacturing business interruption and supply chain risks that are described in section 2.1.

This crisis does not call into question the scope or the classification of the risks specific to the Michelin Group that are described in this chapter. Various key aspects of our ongoing risk management system have been very useful in minimizing the impacts of the crisis, in particular:

- a risk policy that explicitly prioritizes the protection of persons in all circumstances;
- frequent crisis simulations, at all levels of the Group, that have allowed the Group to quickly put in place and activate the various crisis units that have been necessary, with trained staff;
- the business continuity management work that is carried out regarding supply and the production of the Group's products and services, as well as its support activities.

For a description of the impact on the Group of the recent events relating to the Ukraine crisis, at the date this Universal Registration Document was filed, see Chapter 5.

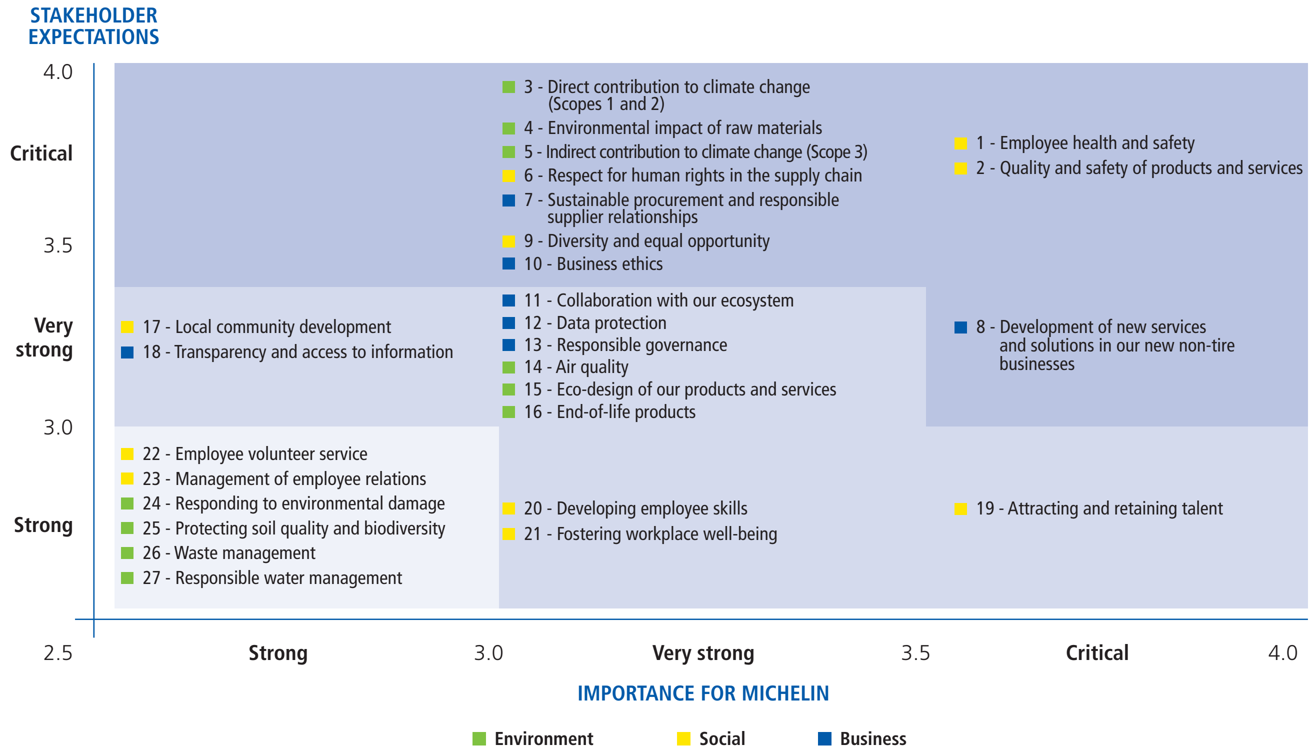
2.1 RISK FACTORS SPECIFIC TO MICHELIN, DESCRIPTION AND RELATED MANAGEMENT SYSTEMS

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. The Covid-19 crisis confirmed the effectiveness of the prevention, protection and crisis management measures that the Group has been implementing for several years. It also led to increased awareness of the importance of risk management at all levels of the organization. The impacts of the crisis on the Group's operations throughout 2021 are discussed in the introductory section of the chapter 5 of this Universal Registration Document.

For Michelin, a risk corresponds to the possibility of an event occurring whose consequences could affect its objectives, financial position or reputation and also its stakeholders, in other words, events or practices that have an impact on people, the planet and society. All of these risks are reviewed by the Michelin Group as part of its risk mapping process. 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. For example, in order to refine the Group risk map, in 2020, a risk materiality matrix was introduced. This matrix is described in more detail in chapter 4 of this Universal Registration Document. The risk management system will take into account this materiality matrix in particular, to ensure that the identification of risks is aligned with the expectations of our stakeholders. As part of the continuous improvement process, recently we have also formally defined a methodology to take "double materiality" factors into account when assessing the impact of the risks that are potentially concerned. This methodological evolution will help the Group to assess more accurately the effects not only on the Group itself, but also on its external stakeholders, such as the environment and society as a whole.

01 02 03 04 05 06 07 08

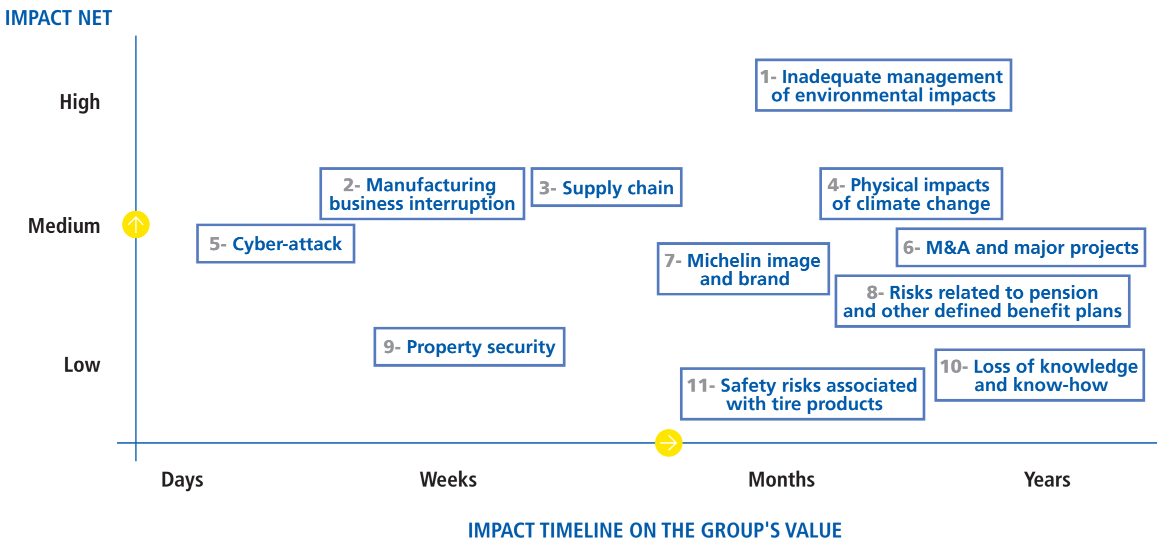


Since the 2020 Universal Registration Document and in accordance with the requirements of Regulation (EU) 2017/1129, Article 16, the selected risk factors are those factors that (i) have been demonstrated to be specific to Michelin and (ii) have the greatest net impact. The net impact corresponds to the gross impact and all the risk mitigation measures deployed by the Group including preventive, protection, crisis management, risk transfer and risk governance measures. On this basis, 11 risks have been selected for inclusion in this section in light of their net impact on the Group. They include two risks – safety risks associated with tire products and inadequate management of environmental impacts – that have been identified as critical in the materiality analysis. The 11 risk factors are presented in the table and charts below:

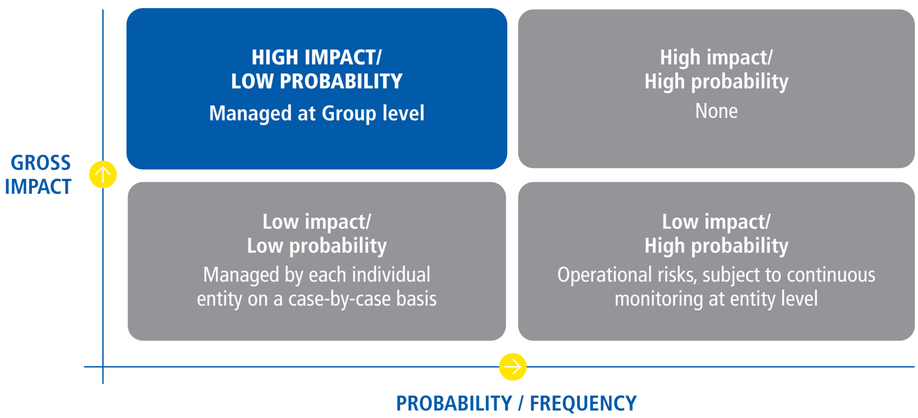
1. **By category**. The analysis has been performed by placing the risks that have the greatest net impact at the top of each category.

Risk categories	Risk factors
Risks related to Michelin's Strategy, Organization and Governance	Inadequate management of environmental impacts
	M&A and major projects
	Michelin image and brand
Risks related to Michelin's Operations and Business	Manufacturing business interruption
	Supply chain
	Physical impacts of climate change
	Cyber attack
	Property security
	Knowledge retention
	Product safety
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 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 annual net impact,
   - "Medium" = between €150 million and €400 million annual net impact,
   - "Low" = less than €150 million annual net impact.



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, only the main risk factors identified by the Group are discussed in this chapter. Other identified risks are discussed in other sections of the Universal Registration Document.

- **The ten risks that are ranked highest in the materiality matrix and would have the greatest net impact are discussed in Chapter 4** of this Universal Registration Document.
- **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*.
- **Other risks not specific to Michelin and/or whose net impact is considered low due to the measures deployed to address them** are covered in the discussion of Michelin's financial performance in chapter 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 – Inadequate management of environmental impacts

Risk factors

This risk concerns impacts on the Group that may be generated by stakeholders in response to the Group's inadequate management of its environmental impacts. It includes environmental transition risks related to climate change (political and legal, technological, market and reputation as defined in the TCFD nomenclature) but also other environmental risks (pollution, scarcity of resources, loss of biodiversity).

Specific nature of the risk

Mobility, which is at the center of the Group's corporate mission, is a sector that has a significant impact on the environment and climate change. As a result, it is heavily regulated at both local and international levels, and is also shaped by a continuous fast pace of technical and social change. Recognizing the high expectations of stakeholders and the Group's leadership position, Michelin is firmly committed to protecting the environment. These specific issues lead to risks of:

- **failure or inability to comply with applicable environmental regulations:**

  For example, regulations concerning products (e.g., environmental labeling including rolling resistance or noise performance, ban or restrictions on the use of chemical substances) or their manufacture (e.g., plant operating permits or emission standards, CO_2 emissions allowance);

- **unpreparedness for scientific and social changes:**

  The mobility sector is particularly subject to rapid and far-reaching changes and a failure to prepare for these changes, whether scientific, technological or social, could have an adverse effect on the Group's leadership and image, as well as on the attractiveness of its offers for customers and users of its products and services. These risks include, for example, a possible inability to substantiate our environmental performance claims (sustainable material content in products, CO_2 emissions in our value chain), a possible delay in discovering or deploying green technologies, or a possible rejection of industrial activities by local communities;

- **non-compliance with the Group's environmental commitments**:

  The Group is taking up its responsible industry leadership role by pursuing an "All Sustainable" strategy. In line with this strategy, the Group has made ambitious environmental commitments (for example, net-zero emissions and tires made entirely from sustainable materials by 2050). Failure to meet these commitments could expose the Group (for example, to the risk of losing stakeholder confidence, media attacks, reputational damage, and inability to attract talents);

- **third-party challenges to the Group on environmental issues**:

  This is a specific aspect of the "Michelin image and brand" risk (risk 7)**.** The challenges could concern each of the risks described above or the Group's possible chronic impact on the environment. They could come from NGOs or the media, but also from financial or ESG rating agencies, or directly from members of the community.

Governance and risk management response

An Environmental Governance body has been set up to

provide assurance that environmental risks are under control and that effective preventive or remedial measures are defined and implemented whenever necessary.

The body is chaired by the Executive Vice President, Manufacturing and the Executive Vice President, Research and Development, who are both members of the Group Executive Committee. It is led by the Group Environment and Prevention Director and coordinated by the Sustainable Development Director. Its members include representatives of the Standards and Regulations Department, the Sustainable Development and Mobility Department, the Materials and Business-to-Business Research & Development Department, the Risk Management Department, the Purchasing Department, the Safety & Security and Environment Department, and the High-Tech Materials Business Line.

An initial overall impact assessment was carried out for these risks and validated by the Environmental Governance body in 2020. However, environmental transition risks have yet to be assessed.

The main levers for controlling these risks that have already been implemented can be summarized as follows:

- a global environmental policy has been defined and implemented, certain aspects of which have been shared with the third-party organization (see chapter 4 and the Duty of Care Plan);
- stakeholders' issues, as discussed at meetings of the Stakeholders Committee and reflected in regular updates to the Materiality Matrix have been taken into account in the policy;
- a structured regulatory watch and internal control system has been deployed to provide assurance that current and emerging regulations are identified on a timely basis and applied;
- a system has been set up to monitor the deployment of the policy – performance in relation to objectives is assessed using appropriate indicators that are reviewed by the Environmental Governance body;
- long-term technological and social changes are taken into account by anticipating and challenging the Group's long-term strategy based on four prospective scenarios;
- a continuous and structured process of contact with external stakeholders (NGOs, Customers, Suppliers, Investors) exists through the Stakeholder Committee, partnerships with NGOs (WWF) and the systematic consideration of issues or controversies facing the Group.

Risk 2 – Manufacturing 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, the risk of business interruption at a semi-finished product facility could be significant, 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 in Europe and North America at certain plants that 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.

Governance and risk management response

A governance structure is in place for the semi-finished part of this risk – the Materials Steering Committee headed by the Executive Vice President, Manufacturing, who is a member of the Group Executive Committee.

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

- strategic selection of plant locations to limit the probability of the risk occurring;
- prevention, by stepping up training for plant staff, conducting technical inspections and strengthening fire safety measures;
- 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;
- management, notably by deploying a Business Continuity Management process for all production activities. This process makes it possible 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 system proved to be particularly useful and effective during the Covid-19 crisis (see the introductory section of chapter 5, which describes the impact of the health crisis on the Group's operations).

Risk 3 – Supply chain

Risk factors

Every year, Michelin purchases nearly €14 billion worth of goods and services from around 50,000 different suppliers. These purchases may be broken down into three families:

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

The Group is therefore exposed to a certain number 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 products, some of which are highly specific chemicals, 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.

Governance and risk management response

A governance body has been set up for this risk factor – the Materials Steering Committee headed by the Executive Vice President, Manufacturing, and the Executive Vice President, Purchasing, who are both members of the Group Management Committee. Meetings of the Materials Steering Committee are also attended by the Executive Vice Presidents responsible for the purchasing categories concerned.

To more effectively anticipate and prevent supply continuity 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 system proved particularly useful and effective during the Covid-19 crisis, which exacerbated this risk (see the introductory section of chapter 5, which describes the impact of the health crisis on the Group's operations).

Risk 4 – Physical impacts of climate change

Risk factors

As a global industrial player, the Michelin Group has significant interactions with the natural environment throughout the life cycle of its products and services. These interactions expose it to physical risks related to climate change.

Specific nature of the risk

Michelin's global reach, in terms of both its industrial facilities and its supply chain, exposes the Group to climate impacts that vary according to geographic location. In light of the diverse range of suppliers and the many interdependent factors necessary for the manufacture of its products (infrastructure, energy, availability of labor, transportation systems, etc.) the impacts of climate change can be qualified as systemic. The systemic risk takes into account external events that are not considered in relation to the supply chain or manufacturing business interruption risks already addressed above (see risks 2 and 3 above). It could occur, for example, if staff were to be prevented from reaching their workplaces due to extreme climate events (e.g., floods or heat waves) or if important infrastructure were to be knocked out (roads, ports, electricity, gas and co-generation networks). In addition, the Group is the world's largest purchaser of natural rubber and aims to increase the proportion of sustainable materials in its tires. This increases the need for biosourced products that are sensitive to the chronic effects of climate change (drought, changes in growing conditions).

Extreme climate events could severely disrupt supplies, production operations or demand, with major impacts in terms of quantities, diversity of sources and duration. Chronic climate change could have long-term effects on the availability or quality of biosourced resources.

Governance and risk management response

A governance structure is in place to address this risk factor – the Environmental Governance body presented in risk 1 above.

An initial pilot study to assess the vulnerability of certain Group businesses was carried out in 2021 with the help of external consultants. Its results will serve as a basis for defining a vulnerability analysis methodology and applying it to all of the Group's businesses in the coming years.

Risks affecting natural rubber supplies are already covered by a plan to improve the supply chain's resilience. The main levers of this plan include: diversification of supply sources, varietal selection and improvement programs, promotion of the most resilient agricultural practices, monitoring changes in climate and the public health situation in the production area, and using the most efficient materials in our products and services (see section 4.1.1.2 c) A dedicated approach for natural rubber).

More generally, to manage risks related to the physical impacts of climate change:

- targets and plans exist to help mitigate climate change (e.g., net-zero emissions and tires made entirely from sustainable materials by 2050);
- the short-term risks of disruption to manufacturing operations or to the supply chain are efficiently controlled. An "Operational Continuity Plan" exists, covering all types of disruptive events, not just those that are climate-related;
- the Group's crisis management capabilities reduce the potential impact of major crises;
- an internal audit of climate change risks carried out in 2021 identified 36 ecosystems (suppliers, plants, logistics warehouses) within a 100-km radius that are particularly critical for the Group's business. They will be the subject of further climate risk analyses in the coming years.

Financial risks associated with climate change and the low-carbon strategy: The financial risk associated with the physical risks discussed above is rated as "medium" (between €150 million and €400 million annual net impact, see 2.1). The financial risk associated with climate-related environmental transition risks is rated as "high" (a conservative initial estimate puts the annual net impact at more than €400 million, see 2.1). As transition risks are emerging risks, they are subject to iterative assessments in terms of climate scenarios and associated financial impacts. The reduction of transition risks is based on the Group's low-carbon strategy, presented in chapter 4.1.4.1.

Risk 5 – 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. Over the past two years, the number of attacks has increased significantly, 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.

Governance and risk management response

The Data, Digital, IT Governance body is responsible for dealing with this risk factor. The body is chaired by the Group's General Manager and co-chaired by the Executive Vice President, Manufacturing, who is a member of the Group Executive Committee. It is led by the Executive Vice President, Information Systems Security and includes representatives of the Information Technology, Security and Safety, Internal Audit and Risk, and Manufacturing departments.

To deal with the above-described information technology and systems risks, multi-year action plans have been prepared and include 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 and internal controllers regularly monitor and assess these measures to obtain assurance that they are relevant, effective and 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. Lastly, awareness campaigns are regularly conducted for all Group employees and, in a more targeted manner, for the categories of employees the most exposed to this risk. Cybersecurity is becoming a real business issue, including for our customers and partners. We have therefore initiated the process to obtain TISAX certification, the gold standard for cybersecurity in the automotive industry, for some of our plants and product development units. TISAX certification is the final step in the process to ensure the highest level of data protection throughout the value chain.

Risk 6 – M&A and major projects

Risk factors

The main risks inherent in our mergers and acquisitions (M&A) activities and major projects in the core market, in technological innovation projects for new components or new products and services, and in major transformation or digitalization projects in the areas of supply chain, customer relationship management or people management, are:

- 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;
- risk that expected synergies may not be achieved;
- risk of losing key employees;
- risk of strategic misalignment with a joint venture partner;
- risk of a project not being aligned with the Group's strategy, or failure of a project to achieve its objectives on time and on budget.

Specific nature of the risk

The Group has defined a strategic model organized around three growth drivers "in the tire, around the tire, beyond the tire". These drivers are supported by Michelin's core business and expertise in high-tech materials, in accelerating digitization and our commitment to enhancing the customer experience. Acquisitions 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, Add-Up with Fives and, more recently, Solesis with Altaris. Our ability to meet our goals depends on the success of these acquisitions and alliances. For both M&A and major projects, it is essential that Group resources are allocated to the right projects and the project portfolio is managed efficiently.

Governance and risk management response

A governance system has been set up to manage the portfolio of M&A projects, supported by a specific governance system for each project, under the responsibility of the Managers, supported by the Mergers & Acquisitions department. The M&A process was significantly overhauled in 2021, based on the findings of an internal audit and external benchmarks.

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. M&A 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 Group Executive Committee. The results are reported using an appropriate procedure and are communicated to the Supervisory Board twice a year.

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. Non-M&A projects in excess of €100 million are submitted to the Supervisory Board for comment.

In addition, major projects are audited by the internal auditors.

Risk 7 – Michelin image and brand

Risk factors

Michelin has an excellent brand image, both in terms of its products and services 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. It is vital to safeguard our reputational equity, which is one of our major assets.

Governance and risk management response

A governance structure is in place for this risk factor – the Brand Council chaired by the Executive Vice President, Engagement and Brands, who is a member of the Group Executive Committee.

The Engagement and Brands Department 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. In addition, guidelines exist for social network users covering most aspects (Employees, Influencers, Moderating, etc.). In 2021, a specific training course on Social Selling was deployed.

The crisis management system also helps control reputational risk.

Risk 8 – 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 €10.5 billion at December 31, 2021. At the same date, the related plan assets totaled €7.5 billion.

Governance and risk management response

Governance for this risk factor is provided by the Global Employee Benefit Board (GEBB), which is co-chaired by the Deputy Chief Financial Officer and the Group Human Resources Director, who are both members of the Group Management Committee.

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 9 – 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.

Governance and risk management response

A governance structure is in place for this risk factor – the Asset Security Governance body. It is co-chaired by the Executive Vice President, Manufacturing and the Executive Vice President & Group Human Resources Director, who are both members of the Group Executive Committee.

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 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. This culture of protecting knowledge and know-how is part of the Group's DNA.

Specific nature of the risk

We invest heavily in innovation and protecting our knowledge and expertise is essential in order to maintain the Group's technological leadership.

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.

Governance and risk management response

A governance body is in place for this risk factor, chaired by the Executive Vice President, Research and Development, and co-chaired by the Executive Vice President, Manufacturing – both members of the Group Executive Committee – and including representatives of the Information Technology and Data, Security and Safety, Legal, Audit and Risk Management departments.

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;
- experts within the Group who have the skills that are critical for our operations are identified and afforded the recognition needed to retain their talent.

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.

Governance and risk management response

A governance structure is in place for this risk factor – the Product Performance Monitoring Board chaired by the Executive Vice President, Quality, Audit and Risk Management. The Executive Vice President, Research and Development, the Executive Vice President, Manufacturing and the Executive Vice Presidents responsible for the business lines concerned, who are all members of the Group Executive Committee, are standing members of the Board.

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 and tests 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 Group 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 legal compliance, product quality, procurement, IS/IT, health and safety, the environment, social management and communications. Key controls are performed in the areas identified in the Group's Code of Ethics as requiring specific attention, in particular to prevent and detect risks of bribery and corruption or influence peddling;

- in order to manage this system in a cross-functional and consistent manner across all Group activities, the Internal Control Department has been integrated into the Corporate Internal Audit, Risk Management, Internal Control and Quality Department. An Internal Control network is organized and led through the Quality Network, with training and collaborative spaces made available to all the employees who participate in the network.

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 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 €1.25 billion, except for machinery insurance (€750 million) and natural disaster insurance, 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 €60 million limit per claim;
- product liability in the United States and Canada, with limits of $20 million per claim and $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 2021 amounted to €37.2 million, up €12.1 million from 2020. The additional cost was due to the end of long-term insurance policies, that had partially protected the Group from tougher market conditions in a context marked by a very significant increase of premiums on certain lines (property & casualty/business interruption, corporate officers' liability, social, cyber) and a reduction of capacities offered by insurers.

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 Head of Investor Relations; 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 16 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);
- 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 (COSO): 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

As the preferred employer among interns and work-study trainees*, hundreds of students join us each year to learn about our businesses, develop their skills and contribute to our mission.

** HappyIndex®Trainees 2022 France.*

This report was prepared by the Supervisory Board on February 11, 2022, in application of Article L. 226-10-1 of the French Commercial Code *(Code de commerce)*.

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.

First are 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.

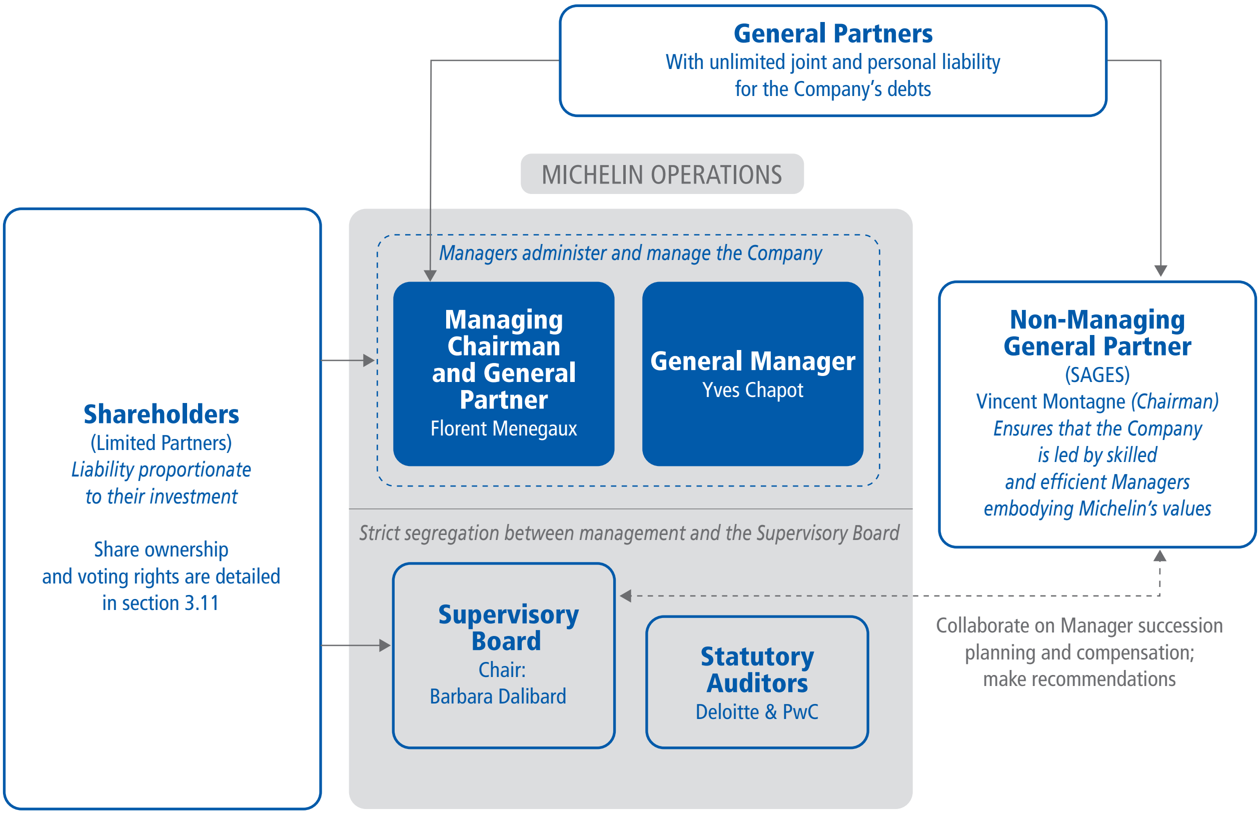
Second are the General Partners, among which Société Auxiliaire de Gestion (SAGES) is a Non-Managing General Partner of CGEM and, as such, ensures the sustainability of the Company's management. General Partners have unlimited personal liability for the partnership's debts, to the full extent of their assets. 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, General Partner elected by the Extraordinary Shareholders Meeting of May 18, 2018, and Managing Chairman;
- Yves Chapot, General Manager elected May 18, 2018.

In accordance with the Company's Bylaws, Florent Menegaux's term of office as Managing General Partner and Yves Chapot's term of office as General Manager were renewed by a decision of the Company's Non-Managing General Partner, Société Auxiliaire de Gestion (SAGES), approved unanimously by the members of Michelin's Supervisory Board at its meeting of July 23, 2021, based on the favorable opinion of its Compensation and Appointments Committee.

Pursuant to this decision, the terms of office of Florent Menegaux and Yves Chapot will be renewed for a period of four years beginning at the close of the next Ordinary Shareholders Meeting on May 13, 2022, and ending at the close of the Ordinary Shareholders Meeting to be held in the first half of 2026 to approve the 2025 financial statements.

This decision was announced in a press release published on October 5, 2021.

FLORENT MENEGAUX

Managing General Partner

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

After graduating with a degree in finance, management and economics, Florent 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.

In January 2018, he also assumed responsibility for overseeing the Group's Business Departments, andthe Manufacturing, Supply Chain and Customer Experience Operational Departments.

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

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 the 2021 financial statements)

Number of shares held at December 31, 2021:
32,525[1]

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Manager of Manufacture Française des Pneumatiques Michelin
- Managing General Partner of Compagnie Générale des Établissements Michelin
- Managing Chairman of Compagnie Générale des Établissements Michelin

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017

None

2018-2021

- Director of Michelin Lifestyle Limited *(until May 2018)*
- Managing Partner of Compagnie Financière Michelin SCmA (CFM) *(until October 2020)*
- Manager of Manufacture Française des Pneumatiques Michelin
- Managing General Partner of Compagnie Générale des Établissements Michelin
- Managing Chairman of Compagnie Générale des Établissements Michelin

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

YVES **CHAPOT**

General Manager

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, with oversight responsibility for 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.

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 the 2021 financial statements)

Number of shares held at December 31, 2021:
15,379

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- General Manager of Compagnie Générale des Établissements Michelin
- Chairman of Compagnie Financière Michelin Suisse
- Chairman of Compagnie Financière Michelin

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

- Director of Adaran *(until April 2017)*
- Chairman of Euromaster Services & Management *(until April 2017)*
- Director of Blackcircles.com Ltd *(until June 2017)*
- Director of Blackcircles Holdings Ltd *(until June 2017)*
- Director *(until December 2020)* then Chairman of Compagnie Financière Michelin Suisse
- Chairman of the Board of Directors *(until April 2021)* then Chairman of Compagnie Financière Michelin
- General Manager of Compagnie Générale des Établissements Michelin

3.1.1.2 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;
- direct 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 reporting 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. They represent the Group in the corresponding areas and are responsible for customer satisfaction.

Operational support is provided by the following departments: Research & Development, Manufacturing, Supply Chain, Customer Experience, Purchasing, Corporate & Business Services, Strategy, Innovation & Partnerships, Engagement & Brands, Internal Audit, Risk Management, Internal Control & Quality, Legal, Personnel, Finance, Safety & Security, Environment and Digital Transformation & Information Technology.

The Managers are assisted by the Group Executive Committee presented in Chapter 1 of the 2021 Universal Registration Document. A Group Management Committee is responsible for ensuring that the Executive Committee's decisions are widely embraced across the organization (see Chapter 1).

3.1.1.3 Liability

The Managing General Partner has 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 Partner may not relinquish his or her status as General Partner without the prior approval of shareholders given at an Extraordinary Meeting and of the Non-Managing General Partner. He is 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;
- receives a portion of the Company's net income that is equal to the amount attributable to the Managing General Partner(s) in respect of his/her/their annual variable compensation or in any form whatsoever (as mentioned in section 3.10.5).

3.1.2.1 Membership and organization

SAGES is a French *société par actions simplifiée* (joint stock company) registered with the Clermont-Ferrand Trade and Companies Registry under No. 870 200 466.

The Chairman of SAGES, Vincent Montagne, is its only executive director.

SAGES has three groups of shareholders – members of the Michelin 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 SAGES' Board of Directors.

3.1.2.2 Biographical details of the Chairman of SAGES at December 31, 2021

The Chairman of SAGES, Vincent Montagne, is its only executive director. His profile is given below.

VINCENT **MONTAGNE**

Chairman of Société Auxiliaire de Gestion (SAGES), Non-Managing General Partner

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Vincent Montagne holds a Master's degree in both Management and International Affairs from Paris Dauphine – PSL University. At the age of 31, he took the helm of the Media-Participations group founded by his father and became its Chairman and Chief Executive Officer. Under his stewardship, the group has become one of France's top publishing houses (and the no.1 in Belgium) and Europe's leading publisher of comic books. In December 2017, he acquired La Martinière Groupe, including its subsidiary Le Seuil, and in July 2018, La Martinière Groupe was merged into Média-Participations. Convinced that creative content is more important than the medium on which it is presented, he led the transformation of Média-Participations into a multimedia group that is now active in video games, digital and audiovisual media, and a major producer of cartoons. Mr. Montagne has been Chairman of the Syndicat National de l'Edition since June 2012 and a director of Cercle de la Librairie since 2006.

He is a descendant of Edouard Michelin, who founded the Michelin Group with his brother André, and has been Chairman of Mage-Invest, a family holding company with 250 family shareholders, since its creation in 2009. His term of office expired at the close of SAGES' Ordinary Shareholders Meeting in March 2022.

He is Chairman of Société Auxiliaire de Gestion (SAGES), Non-Managing General Partner of Compagnie Générale des Etablissements Michelin, alongside Florent Menegaux, General Partner and Managing Chairman.

Nationality:
French

Born in 1959

Business address:

57, rue Gaston-Tessier 75019 Paris
France

Number of shares held at December 31, 2021

- 9 shares owned directly
- 198,300 shares owned by SAGES

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. The 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(s) were to fall vacant, SAGES would take on the role of the Manager(s) 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. Up to 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, Statutory Auditor's reports(1), 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) are sent to Michelin's Managing General Partner;
- 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 Chair(man) 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 Supervisory Board

11 members, of which 1 senior independent member

89% independent members*

45% women members*

33% non-French nationals*

* *Excluding the employee representatives.*

Members

In accordance with the applicable law and the Company's Bylaws, the Supervisory Board currently has 11 members, including nine selected from among the shareholders and elected by the Annual Shareholders Meeting for a term of four years(2) and two representing employees.

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

(1) The Statutory Auditor's report on the annual financial statements is available from the Group's website www.michelin.com.

(2) 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, 2021 and as of the date of this report, the Supervisory Board had 11 members, and was in compliance 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[1] or 600 shares in the case of the Chair(man).

Information about the compensation of Supervisory Board members is presented in sections 3.3.3, 3.5.1, 3.5.2 and 3.6.1.4.

Overview of the Supervisory Board (as of December 31, 2021)

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
Barbara Dalibard	C	–	-	2008	2013[2] 2015[3] 2019	2023	13	685	French	63	F
Jean-Pierre Duprieu		✓	Compensation and Appointments C	2013	2016 2020	2024	8	510	French	69	M
Aruna Jayanthi		✓	Audit	2015	2019	2023	6	400	Indian	59	F
Anne-Sophie de La Bigne		✓	Compensation and Appointments Corporate Social Responsibility	2013	2016 2020	2024	8	903	French	61	F
Patrick de La Chevardière		✓	Audit C	2020	-	2024	2	400	French	64	M
Jean-Christophe Laourde	RE	–	Corporate Social Responsibility	2020	-	2024	1	81	French	46	M
Thierry Le Hénaff	S	✓	Compensation and Appointments	2018	-	2022	3	400	French	58	M
Monique Leroux		✓	Audit Corporate Social Responsibility C	2015[4]	2018	2022	6	1,000	Canadian	67	F
Delphine Roussy	RE	–	Compensation and Appointments	2020	-	2024	1	82	French	39	F
Jean-Michel Severino		✓	Corporate Social Responsibility	2020[5]	-	2022	1	400	French	64	M
Wolf-Henning Scheider		✓	Audit	2021	-	2025	-	400	German	59	M

C: Chair(man) 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.*

(1) *With the exception of members representing employees.*

Changes in 2021

The term of office of Michel Rollier, Chairman of the Supervisory Board, expired at the close of the Annual Shareholders Meeting held on May 21, 2021.

In December 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 stepped down.

The 2021 Annual Shareholders Meeting was also asked to ratify Jean-Michelin Severino's appointment to the Supervisory Board decided in November 2020 following the resignation of Cyrille Poughon.

To strengthen its membership and fill the seat left vacant by 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.

After examining these candidates' profiles in detail, the Committee decided to recommend Wolf-Henning Scheider for election.

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 that the Annual Shareholders Meeting:

- ratify Jean-Michel Severino's appointment to the Board for a period ending on expiration of the term of his predecessor, Cyrille Poughon (resolution of the Annual Shareholders Meeting of May 21, 2021 adopted by a majority of 99.92% of the votes cast);
- elect Wolf-Henning Scheider for a four-year term (resolution of the Annual Shareholders Meeting of May 21, 2021 adopted by a majority of 99.68% of the votes cast).

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

The Supervisory Board exercises permanent oversight of the Company's management and assesses its quality on behalf of the shareholders, presenting a report thereon at each Annual Shareholders Meeting.

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, and 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, 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 Supervisory Board

In line with the Group's values, the Supervisory 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.

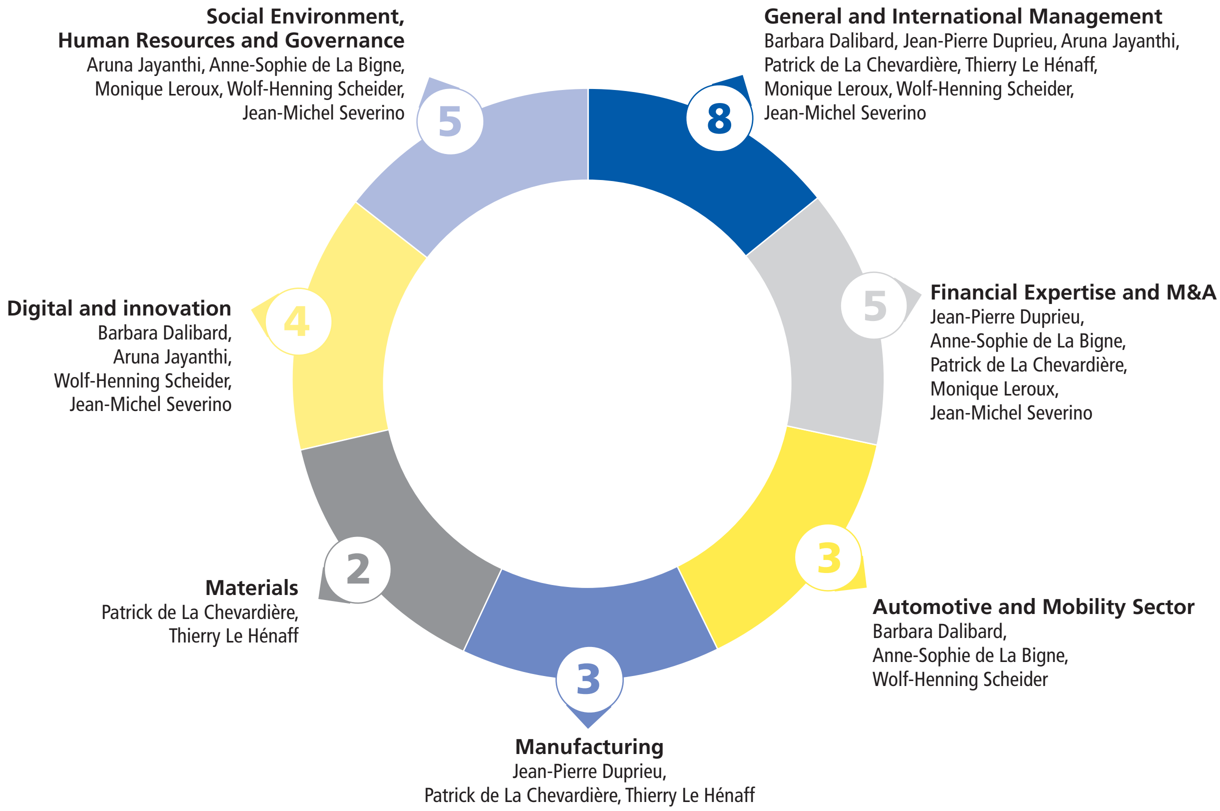
The main terms of the diversity policy are proposed by the Compensation and Appointments Committee. The policy is applied by the Committee and the Supervisory Board to manage Supervisory Board succession plans and for the assessment of the Supervisory Board's practices. The Committee and/or the Supervisory Board can be assisted by recognized outside consultants.

The Supervisory Board diversity policy for 2021 is described below, as required by Article L. 22-10-10-2° of the French Commercial Code.

Criteria	Objectives confirmed in 2021	Implementation method	2021 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.	All members are under 75 years of age.
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 that the Shareholders Meeting re-elect incumbent women members and elect women candidates to replace women who are stepping down.	The candidates recommended by the Supervisory Board and elected by the Annual Shareholders Meeting had no impact on the proportion of women on the Board, which is unchanged at 45%, including Barbara Dalibard who has been Chair of the Supervisory Board since May 2021.
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). From 2023, reduced number of board directorships and chairmanships or executive positions in other listed companies.	The majority of each member's compensation is tied to his or her attendance rate at meetings of the Supervisory 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 attendance rate was 100% in 2021 for scheduled meetings of the Supervisory Board and its committees.

Criteria	Objectives confirmed in 2021	Implementation method	2021 results
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 international listed groups, and adherence to the Group's values. A specific objective for the period to 2023 is to consolidate/strengthen the expertise in corporate social responsibility and digital technologies represented on the Board.	Decisions concerning candidates to be proposed for re-election or election to the Supervisory Board by the Shareholders Meeting focus on strengthening the qualifications and experience represented by Supervisory Board members in the areas of executive management and new technologies. The Chair and the majority of members of the Audit Committee are selected for their academic qualifications and international experience in finance, internal control and digital technologies More detailed examination of CSR issues by the Supervisory Board.	Recommendation and decision: ▶ to ratify the appointment of Jean-Michel Severino to the Board as a new member contributing in particular his social environment, human resources and governance expertise; ▶ to fill the seat left vacant by Michel Rollier by electing Wolf-Henning Scheider to the Board as a new member contributing his knowledge of the manufacturing industry as well as of the automotive and sustainable mobility sector. Start of the work of the Corporate Social Responsibility Committee created in December 2020. Increase in the proportion of foreign nationals on the Board to 33% (from 22% in 2020).
Size of the Supervisory Board	Number of Supervisory 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 appointments proposed.
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.	Recommendation and decision to appoint Jean-Michel Severino and Wolf-Henning Scheider as new independent members of the Supervisory Board, replacing two non-independent members. Increase in the independence rate to 89% (from 78% in 2020, excluding members representing employees).
Employee representation on the Supervisory Board	The Supervisory Board includes two members representing the employees of the Company's French subsidiaries versus eight members elected by shareholders, exceeding the requirement set out in the rules resulting from France's PACTE Act (Act No. 2019-486).	Participation of members representing employees in the work of the Supervisory Board and its Committees.	Delphine Roussy is a member of the Supervisory Board and its Compensation and Appointments Committee, and Jean-Christophe Laourde is a member of the Supervisory Board and its Corporate Social Responsibility Committee.

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 diversity 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 35% by 2030. This plan is detailed in section 4.1.2.2 b) of this 2021 Universal Registration Document. Its implementation led to measures to rebalance the membership of the Group's Executive Committee and other management bodies.

(1) Excluding members representing employees.

(2) The reporting scope for this information extends beyond the Company, which has fewer than five employees (none of whom are corporate officers).

Information about Supervisory Board members

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

BARBARA **DALIBARD**

Non-independent member of the Supervisory Board
Chair of the Supervisory Board[1]

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Barbara Dalibard was Chief Executive Officer of SITA, the world's leading specialist in air transport communications and information technology, from 2016 to 2021.

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. She recently became a member of the Board of Directors of Rexel.

Ms. 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.

Nationality:
French

Born in 1958

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

First elected:
May 16, 2008

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

Number of shares held at December 31, 2021:
685

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Non-voting member of the Supervisory Committee of Castillon
- Member of the Board of Directors of Rexel

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2021

- *Chief Executive Officer* of SITA *(until December 2021)*
- Non-voting member of the Supervisory Committee of Castillon *(since July 2021)*
- Member of the Board of Directors of Rexel *(appointed in December 2021)*

(1) From May 2021.

JEAN-PIERRE DUPRIEU

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

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Jean-Pierre Duprieu was previously Executive Vice President of the Air Liquide group[1].

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[1], Director of Groupe SEB[1] and member of the Supervisory Board of Dehon S.A.

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 the 2023 financial statements)

Number of shares held at December 31, 2021:
510

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Chairman of the Board of Directors of Korian[1]
- Independent Director of Groupe SEB[1]
- Independent member of the Supervisory Board of Dehon S.A.

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2021

- Director of Air Liquide Welding *(until July 2017)*
- Independent Director of Korian[1], Chairman of the Compensation and Appointments Committee and member of the Audit Committee *(until September 2020)*
- Independent Director of Groupe SEB[1]
- Independent member of the Supervisory Board of Dehon S.A.

(1) Listed company.

ARUNA **JAYANTHI**

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

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 currently Head of Capgemini Latin America and Canada.

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, Ms. 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.

Nationality:
Indian

Born in 1962

Business address:
Capgemini Technology Services India Limited.
Plot no. IT3IT4 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 the 2022 financial statements)

Number of shares held at December 31, 2021:
400

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- 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 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 2017-2021

- Director of Espire AS *(until April 2018)*
- Director of SBI Capital Markets Limited *(until September 2018)*
- Director of Capgemini Norge AS *(until May 2019)*
- Director and Chair of the Board of Directors of Capgemini Sverige AB *(until June 2019)*
- Director and Chair of the Supervisory Board of Capgemini Polska Sp.z o.o. *(until August 2019)*
- Director of Capgemini Australia Pty Limited *(until June 2021)*
- Director of Capgemini Technology Services India Limited
- Director of Equation Capital Partners LLP
- 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 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

(1) Until May 2021.
(2) Since May 2021.

ANNE-SOPHIE **DE LA BIGNE**

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

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 the Airbus group[1].

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

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 the 2023 financial statements)

Number of shares held at December 31, 2021:
903

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- 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

2017

None

2018-2021

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

(1) Listed company.

PATRICK DE LA CHEVARDIÈRE

Independent member of the Supervisory Board
Chairman of the Audit Committee[1]

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Patrick de La Chevardière is currently a director of Schlumberger[1] and until July 2019 was the Group's Chief Financial Officer and a member of the Executive Committee of the Total group[1], 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).

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 the 2023 financial statements)

Number of shares held at December 31, 2021:
400

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Director of Schlumberger[1]

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2018

None

2019-2021

- Director of Schlumberger[1]

(1) Listed company.

JEAN-CHRISTOPHE ***LAOURDE***

Non-independent member of the Supervisory Board representing employees (non-executive)
Member of the Corporate Social Responsibility Committee[(1)]

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.

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 the 2023 financial statements)

Number of shares held at December 31, 2021:
81

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- None

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2021

- None

(1) Since May 2021.

THIERRY **LE HÉNAFF**

Independent member of the Supervisory Board
Senior Independent Member of the Supervisory Board
Member of the Audit Committee[1]
Member of the Compensation and Appointments Committee[2]

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Thierry Le Hénaff is currently Chairman and Chief Executive Officer of Arkema[3].

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[3]. 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.

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 the 2021 financial statements)

Number of shares held at December 31, 2021:
400

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Chairman and Chief Executive Officer of Arkema[3]
- Chairman of the Board of Directors of Arkema France

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2021

- Chairman and Chief Executive Officer of Arkema[3]
- Chairman of the Board of Directors of Arkema France

(1) Until May 2021.
(2) Since May 2021.
(3) Listed company.

MONIQUE LEROUX

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

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 sits on the Boards of Directors of Bell (BCE)(1), S&P Global (SPGI)(1) and Couche-Tard (ATD)(1). 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.

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 ten Canadian universities in recognition of her contribution to the business sector and also to the community.

Ms. Leroux chaired Canada's National Industrial Strategy Board in 2020 as part of a special mandate on economic recovery and she also chaired the Board of Directors of Investissement Québec from 2016 to 2020.

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 the 2021 financial statements)

Number of shares held at December 31, 2021:
1,000

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Member of the Board of Directors of Couche-Tard(1)
- Member of the Board of Directors of Bell/BCE(1)
- Member of the Board of Directors of S&P Global(1)(2)
- Other private and community activities:
  - Part-time (non-executive) advisor to Fiera Capital
  - Member of Lallemand (privately owned company)
  - Member of non-profit organizations dedicated to the arts and education

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2021

- Member of the Board of Directors of Crédit Industriel et Commercial (CIC) *(until May 2017)*
- Chair of the Board of Directors of Investissement Québec *(until July 2020)*
- President of the International Cooperative Alliance (ICA) *(until November 2017)*
- Member of the Board of Directors of Couche-Tard(1)
- Member of the Board of Directors of Bell/BCE(1)
- Member of the Board of Directors of S&P Global(1)
- Other private and community activities:
  - Part-time (non-executive) advisor to Fiera Capital
  - Member of Lallemand (privately owned company)
  - Member of non-profit organizations dedicated to the arts and education

(1) Listed company.
(2) Term expires in 2022.

MICHEL **ROLLIER**

Non-independent member of the Supervisory Board
Chairman of the Supervisory Board[1]

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Michel Rollier is Vice Chairman of the Board of Directors of Somfy S.A.[2] and Chairman of the Board of Directors of Siparex Associés.

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.

He was subsequently a member and Chairman of the Supervisory Board from May 2013 until May 2021.

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 the 2020 financial statements)

Number of shares held at December 31, 2021:
24,392

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Vice Chairman of the Board of Directors of Somfy S.A.[2]
- Chairman of the Remunerations Committee of Somfy S.A.[2]
- 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

2017-2021

- Chairman of Plateforme de la Filière Automobile (PFA) *(until December 2017)*
- Chairman of the AFEP/MEDEF High Committee on Corporate Governance *(until October 2018)*
- Vice Chairman of the Board of Directors of Somfy S.A.[2]
- Chairman of the Remunerations Committee of Somfy S.A.[2]
- Chairman of the Board of Directors of Siparex Associés
- Chairman of Association Nationale des Sociétés par Actions (ANSA)

(1) Until his term expired in May 2021.
(2) Listed company.

DELPHINE **ROUSSY**

Non-independent member of the Supervisory Board representing employees (non-executive)
Member of the Compensation and Appointments Committee[1]

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.

Nationality:
French

Born in 1982

Business address:
Compagnie Générale des Établissements Michelin
23, place des Carmes-Déchaux
3000 Clermont-Ferrand
France

First elected:
December 14, 2020

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

Number of shares held at December 31, 2021:
82

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- None

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2021

- None

(1) Since May 2021.

WOLF-HENNING **SCHEIDER**

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

BIOGRAPHICAL DETAILS – PROFESSIONAL EXPERIENCE

Wolf-Henning Scheider has been Chairman of the Board of Management and Chief Executive Officer of ZF Friedrichshafen AG, a German group that is a global leader in automotive, transportation and mobility technologies, since 2018.

He studied at Saarbruck University and 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.

Nationality:
French

Born in 1962

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

First elected:
May 21, 2021

Current term expires:
2025 (Annual Shareholders Meeting called to approve the 2024 financial statements)

Number of shares held at December 31, 2021:
400

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Chairman of the Board of Management and Chief Executive Officer of ZF
- Member of the Board of Directors of VDA German Association of the Automotive Industry

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2021

- Chief Executive Officer of the Mahle group *(until January 2018)*
- Chairman of the Board of Management and Chief Executive Officer of ZF
- Member of the Board of Directors of VDA German Association of the Automotive Industry

(1) Since May 2021.
(2) Listed company.

JEAN-MICHEL **SEVERINO**

Independent member of the Supervisory Board
Member of the Corporate Social Responsibility Committee

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 Managing Partner then Chairman of the Supervisory Board of Investisseurs et Partenaires (I&P), a fund management team specializing in financing for African SMEs.

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

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

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 the 2021 financial statements)

Number of shares held at December 31, 2021:
400

DIRECTORSHIPS AND OTHER POSITIONS HELD AT DECEMBER 31, 2021

- Director and member of the Audit Committee of Orange SA(1)
- Senior Independent Director and member of the Governance Committee of Danone SA(1)
- Chairman of the Supervisory Board of Investisseurs et Partenaires (I&P)

OTHER DIRECTORSHIPS AND POSITIONS HELD IN THE LAST FIVE YEARS

2017-2021

- Chairman of the Board of Directors of EBI SA *(until April 2021)*
- Managing Partner of Investisseurs et Partenaires (I&P) *(until October 2021)*
- Director and member of the Audit Committee of Orange SA(1)
- Senior Independent Director and member of the Governance Committee of Danone SA(1)

(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 the Group and its shareholders. This implies that tasks and responsibilities are distributed among members in a manner that complies 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 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 12 and 18 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 selected 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 Managers present proposals to the Compensation and Appointments Committee concerning the performance criteria and targets to be used to determine their annual and long-term variable compensation (performance shares). After discussing the presentation with the Managers, the Committee analyzes these proposals and examines all the components of the Managers' compensation, taking into account the compensation and employment conditions of Michelin employees, the practices of other CAC 40 companies and relevant benchmarks,
  - the Compensation and Appointments Committee shares its conclusions with the Non-Managing General Partner (SAGES) and presents its recommendations to the Supervisory Board,
  - the Supervisory Board discusses the recommendations of the Compensation and Appointments Committee, and decides on the criteria and objectives to be used to determine the annual and long-term variable compensation of the Managers for the current year,
  - the General Partners then meet to set the compensation policy for the Managers for the current year and to formalize, subject to adoption by the Ordinary Shareholders Meeting of the corresponding resolutions: i) for the Managing General Partner, by way of an agreement between the General Partners, the portion of the earnings for the current year that may be allocated to the Managing General Partner as annual variable compensation within the limits set by the Bylaws; and ii) for the General Manager, by way of a decision of the General Partners, the annual compensation components concerning him; said agreement and decision taking into account and integrating the performance criteria and annual variable compensation objectives set by the Supervisory Board, after consultation and deliberation by the latter,
  - the Managing Chairman, after confirming the Non-Managing General Partner's approval, submits the corresponding draft resolutions to the Ordinary Shareholders Meeting in compliance with the applicable regulations,
  - once the compensation policy has been approved by the Ordinary Shareholders Meeting, (i) for the Managing General Partner, the General Partners sign an agreement determining the share of consolidated net income attributable to the Managing General Partner after application of the criteria for determining his annual variable compensation, and (ii) for the General Manager, the General Partners sign the decision concerning his annual compensation, including the definition of the criteria and objectives applied to determine his annual variable compensation,
  - in the second half of the year, during the process to determine the performance shares to be granted to employees of Group companies, the Supervisory Board decides on the conditions and criteria to be applied for the granting of performance shares to the Managers by decision of the General Partners. The Supervisory Board's decision takes into account the Company's compensation policy and the authorization given by the Shareholders Meeting, in compliance with the applicable regulations.
- Performance assessment:
  - at each year-end, the Managers report to the Compensation and Appointments Committee on the achievement of prior-year objectives used to determine their annual and long-term variable compensation,
  - the Compensation and Appointments Committee analyzes the performance data, shares its conclusions with the Non-Managing General Partner (SAGES) and presents its recommendations to the Supervisory Board,

- the Supervisory Board then discusses the results of the Compensation and Appointments Committee's analysis of actual performance in relation to objectives and the Committee's recommendations,
- the Managing Chairman submits the compensation packages and the corresponding proposed resolutions to the Ordinary Shareholders Meeting and also seeks the approval of the Non-Managing General Partner (SAGES), in compliance with the applicable regulations.
- once the compensation components have been approved by the Ordinary Shareholders Meeting, the variable compensation components are paid or delivered to the Managers, with the Managing General Partner's annual variable compensation deducted from his share of consolidated net income attributable to the General Partners in accordance with the Company's Bylaws.

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 their private interests and/or other duties;
- conflicts of interest between the duties to the Company of the Supervisory Board members and their private interests and/or other duties[(1)];
- 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 2021

3.2.1 GENERAL ACTIVITIES

In addition to the six initially scheduled meetings, the Board held two further meetings in 2021, to (i) appoint its new Chair and change the membership of its committees, and (ii) to review the draft financial press release on sales for the third quarter and the first nine months of the year.

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);
- strategic overview:
  - strategy seminar (several meetings): business review, map of current transformations, acquisition projections, 2030 strategic plan,
  - industrial and Digital Manufacturing strategy,
  - tire market access strategy, hydrogen business strategy;
- corporate officers' compensation:
  - results of the performance criteria used to determine the Managers' variable compensation for 2020,
  - performance criteria to be used to determine variable compensation for 2021 and performance share plan criteria,
  - Group compensation policies;
- succession plan for the Managers:
  - timeline,
  - candidate assessment process and criteria.

(1) See detailed disclosures in the Corporate Governance Report presented in section 3.2.6 of the 2021 Universal Registration Document.

- membership and practices of the Supervisory Board and its Committees:
  - appointment of the new Chair of the Board,
  - changes in the membership of Board committees,
  - ratification by the Shareholders Meeting of the appointment of a member of the Supervisory Board and examination of a candidate for election to the Supervisory Board,
  - integration of Board members representing employees in the specialized committees,
  - Supervisory Board members' independence,
  - self-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.

3.2.2 SUPERVISORY BOARD MEMBERS' ATTENDANCE RATES

The Supervisory Board met eight times in 2021 – on February 12, April 13 and 14, April 22, May 21, July 23, October 4 and 5, October 22 and December 14.

Several meetings lasted a full day or more.

The overall attendance rate at Board and Committee meetings was 100% (excluding the meetings of May 21 and October 22, which were not scheduled at the beginning of the year).

The attendance rates at Board and Committee meetings of the individual Board members are presented in the table below:

	Participation at meetings held in 2021			
Supervisory Board members	**Supervisory Board (6 meetings)(1)**	**Audit Committee (4 meetings)**	**Compensation and Appointments Committee (3 meetings)(2)**	**Corporate Social Responsibility Committee (3 meetings)**
Barbara Dalibard(3)	6/6	2/2	N/A	N/A
Jean-Pierre Duprieu	6/6	N/A	3/3	N/A
Aruna Jayanthi(4)	6/6	2/2	2/2	N/A
Anne-Sophie de La Bigne	6/6	N/A	3/3	3/3
Patrick de La Chevardière	6/6	4/4	N/A	N/A
Jean-Christophe Laourde(5)	6/6	N/A	N/A	1/1
Thierry Le Hénaff(6)	6/6	2/2	1/1	N/A
Monique Leroux	6/6	4/4	N/A	3/3
Michel Rollier(7)	3/3	N/A	N/A	N/A
Delphine Roussy(8)	6/6	N/A	1/1	N/A
Wolf-Henning Scheider(9)	3/3	2/2	N/A	N/A
Jean-Michel Severino	6/6	N/A	N/A	3/3

(1) Excluding unscheduled meetings (two meetings).
(2) Excluding unscheduled meetings (one meeting).
(3) Barbara Dalibard attended all the meetings of the Supervisory Board before and after her appointment as Chair of the Supervisory Board in May 2021, and all the meetings of the Audit Committee up to May 2021, when she stopped being a member of this Committee.
(4) Aruna Jayanthi attended all the meetings of the Compensation and Appointments Committee up to May 2021, when she stopped being a member of this Committee, and all the meetings of the Audit Committee from May 2021, when she was appointed to this Committee.
(5) Jean-Christophe Laourde attended all the meetings of the Corporate Social Responsibility Committee from May 2021, when he was appointed to this Committee.
(6) Thierry Le Hénaff attended all the meetings of the Audit Committee up to May 2021, when he stopped being a member of this Committee, and all the meetings of the Compensation and Appointments Committee from May 2021, when he was appointed to this Committee.
(7) In his capacity as Supervisory Board Chairman, Michel Rollier attended all meetings of the Supervisory Board until his term expired in May 2021.
(8) Delphine Roussy attended all the meetings of the Compensation and Appointments Committee from May 2021, when she was appointed to this Committee.
(9) Wolf-Henning Scheider attended all the meetings of the Supervisory Board from May 2021, when he was elected to the Board, and all the meetings of the Audit Committee from May 2021, when he was appointed to this Committee.

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.

The Board members paid a two-day visit to a tire production plant in Italy during which they were able to see the new generation robotic machines in action and appreciate the advances made in terms of maintenance and the site's net-zero carbon emissions strategy.

In addition, the Board members were given a detailed presentation of the organization, multi-sector activities and key projects in the Southern Europe region, which includes Spain, Portugal, France, Benelux, Italy and Malta, representing 30,000 employees at 42 sites.

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 deepening their understanding of all the challenges facing the Michelin Group.

Members representing employees

Internally, the members of the Supervisory Board representing employees attended preparatory meetings prior to each meeting of the Supervisory Board, which facilitated their active participation 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 Chair and Secretary of the Supervisory Board. These presentations are specially designed to provide the new members with a good understanding of the Group's businesses and its environment.

Externally, the members of the Supervisory Board representing employees also continued 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.

3.2.4 PREPARING RECOMMENDATIONS FOR THE ELECTION OF NEW SUPERVISORY BOARD MEMBERS AND OTHER RESOLUTIONS TO BE PRESENTED AT THE 2022 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 2022 Annual Shareholders Meeting (see section 7.2 of this 2021 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 Chair(man) of the Supervisory Board, the Board nevertheless decided to create the position of 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 Chair(man) 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 Chair(man) of the Board is unable to perform this task;
- meet with the Managing Chairman to inform him or her of all or some of the views or wishes expressed by the independent members during executive sessions, after informing the Chair(man) 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 Chair(man) of the Supervisory Board or the Managing Chairman.

Thierry Le Hénaff has served as Senior Independent Member since July 2020[1].

In 2021, Mr. Le Hénaff 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:

- topics suggested during Board meetings;
- participation in the Committees of the Board;
- allocation of responsibilities for examining risks between the different Committees;
- training requests.

(1) He took over from Barbara Dalibard, who was Senior Independent Member from 2017, when the position was created, to June 2020.

In application of the Supervisory Board's internal rules, during the first half of 2022, Thierry Le Hénaff will report to the Board on his activities during 2021.

In 2021, Thierry Le Hénaff helped to prepare the process for the assessment by the Chair(man) of the Board on its practices and those of its Committees (see report on the results of this assessment in section 3.2.7).

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

The Supervisory Board has chosen to refer exclusively to the criteria listed in the AFEP/MEDEF Code for its assessment of its members' independence. The AFEP/MEDEF Code recommends that a majority of the members of the Supervisory Board should be 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)[1].

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 voting 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 corporate officer 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 corporate officer 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) 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 2022. 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 2021 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 2021.

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 the Airbus group 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 for IT consulting services represent only a very small proportion of Michelin's purchases, and their contribution to the Capgemini group'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 that could result from the proximity of certain activities of Michelin's High-Tech Materials activities 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.

The Committee examined a possible conflict of interest that could result from the proximity of activities of Michelin's Services & Solutions' mobility businesses and certain mobility products or services developed by ZF Friedrichshafen, whose Chief Executive Officer is **Wolf-Henning Scheider**.

After analyzing the respective activities concerned, the Committee decided that the factors covered by its analysis did not lead to the conclusion that Wolf-Henning Scheider 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, Mr. Scheider would step aside during the communications, discussions and decisions concerned, in line with the Board's internal rules.

Consequently, the Committee proposed considering that Wolf-Henning Scheider's position as Chief Executive Officer of ZF Friedrichshafen did not affect his independence or give rise to any conflict of interest.

Delphine Roussy and **Jean-Christophe Laourde**, Supervisory Board members representing employees, are 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 analyzed the situation of **Barbara Dalibard,** Chief Executive Officer of SITA until December 2021 and Chair of Michelin's Supervisory Board since May 2021, based on the independence criterion related to the period served on the Board.

The Committee noted Barbara Dalibard's independent mindset, her experience and her conspicuous participation in the work of the Board and its Committees[1]. 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 stepped down in May 2021.

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.

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 and Jean-Christophe Laourde), and Barbara Dalibard – are independent based on the criteria in the AFEP/MEDEF Code. These independent members represent just under 89% 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

In 2021, a self-assessment exercise was conducted by the Chair of the Supervisory Board and the Senior Independent Member. The assessment was based on a series of one-on-one interviews with Supervisory Board members and the Managers.

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, a review of this assessment was included on the agenda of the July 23, 2021 Supervisory Board meeting. During this meeting, the results of the assessment were presented to the Supervisory Board and the Managers by the Chair of the Supervisory Board. This presentation was followed by an exchange of views and a discussion among the Supervisory Board members.

The following points were noted:

- the Board's culture is perceived as being very positive;
- the relationship with the Managers is very positive, constructive and interactive, allowing for a real process of continuous improvement;
- the creation of the CSR Committee has been a success;
- the reports presented to the Board by the Chairs of the Committees are very satisfactory;
- the new digital platform for use by Board members is very satisfactory and the files are of a very high quality.

The assessment underscored the importance of:

- maintaining the right balance between strategy/business topics and time spent on presentations versus the ensuing discussions;
- making some changes to the structure of the documentation;
- continuing to focus on putting the competitive environment, risks and human resources management issues into perspective.

The Supervisory Board members concurred with the proposal by the Board's Chair that a new external assessment should be performed in 2022.

(1) Chair of the Compensation and Appointments Committee between 2015 and June 2020, Senior Independent Member between 2017 and June 2020, member of the Audit Committee between July 2020 and May 2021.

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 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.
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, for the following reasons: ▶ 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 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 (...)".

The new Board members representing employees having completed their induction training in 2021, one of them (Delphine Roussy) was appointed to sit on the Compensation and Appointments Committee in accordance with the wishes of the Supervisory Board members[1]. Recommendation 18.1 of the AFEP/MEDEF Code is now applied and the exception has therefore been removed.

(1) See disclosures in section 3.2.8 of the 2020 Universal Registration Document.

3.2.9 AUDIT COMMITTEE[1]

100% attendance rate	4 members	100% independence	4 meetings

3.2.9.1 Members[2]

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 May 2021[3], the Audit Committee has comprised the following members:

- Patrick de La Chevardière, independent member and Committee Chairman;
- Aruna Jayanthi, independent member;
- Monique Leroux, independent member;
- Wolf-Henning Scheider, independent member.

The qualifications and experience of the Audit Committee members at December 31, 2021 have given them a deep understanding of financial and accounting matters:

- Patrick de La Chevardière is a director of Schlumberger and was the Chief Financial Officer and a member of the Executive Committee of the Total group from 2008 to 2019; he is a graduate of École Centrale;
- Aruna Jayanthi is the Managing Director of Capgemini's Asia–Pacific and Latin America business unit and a member of the Group's Executive Committee. She holds a Master's degree in Finance Management from the Narsee Monjee Institute of Management Studies in Mumbai and has acquired and extensive experience in the area of cybersecurity and other IT risks;
- Monique Leroux sits on the Boards of several companies. She was previously a partner of EY (Canada) and served as the Chair of the Board and Chief Executive Officer of Mouvement Desjardins from 2008 to 2016. She is a Fellow of the Order of Certified Professional Accountants of Quebec and of the Canadian Institute of Corporate Directors;
- Wolf-Henning Scheider is Chief Executive Officer of ZF Friedrichshafen AG. He was a director and member of the Executive Committee of the Bosch group from 2010 until 2015, then Chief Executive Officer of the Mahle group between 2015 and 2018. He studied at Saarbruck University and RWTH Aachen University, graduating in Business Administration and Economics.

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 2021, the Chairman of the Audit Committee obtained assurance that the Committee's work in 2020 and 2021 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 presented to the Supervisory Board.

3.2.9.3 Activities in 2021

The Committee met four times in 2021 – on February 11, April 13, July 22 and December 13 – with an attendance rate of 100%.

The main purpose of the meetings held in 2021 was to review:

- the audited parent company financial statements for 2020, the parent company projections prepared in accordance with French law, and the audited consolidated financial statements for 2020, 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 asset impairment tests, key figures and non-recurring events in 2020. 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, 2021 and the information on the parent company projections prepared in accordance with French law, as presented by the Manager and Chief Financial

(1) At December 31, 2021.
(2) Biographical details and other information concerning the members of this Committee of the Supervisory Board are provided in section 3.1.3.3 of this 2021 Universal Registration Document.
(3) Between January and May 2021, its members were: Patrick de La Chevardière, independent member and Committee Chairman; Barbara Dalibard, non-independent member (non-executive); Thierry Le Hénaff, independent member; Monique Leroux, independent member.

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 2021 and discussed with the Statutory Auditors the nature and conclusions of their work. The Statutory Auditors reported to the Committee on their review of the interim financial statements for the six months ended June 30, 2021. Their review report did not contain any qualifications or emphasis of matter;

- the financial information for the third quarter of 2021 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;
- preparation of the 2021 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 Presidents, Audit, Quality, Internal Control and Risk Management, and the Head of Internal Control;
- the internal audit plan and the audits carried out in 2021 (including audits of the physical impacts of global warming, cybersecurity, the adjustments made to the audit 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;
- in early 2022, the Committee met to review the audited parent company financial statements for 2021, the parent company projections prepared in accordance with French law, and the audited consolidated financial statements for 2021, as presented by the Manager and Chief Financial Officer;
- the Committee's work also covered the following areas:
  - review of Information Systems (IS) risk management in terms of architecture, cybersecurity, internal control and data privacy, presented by the Information Systems Director,
  - the Simply Michelin simplification project, based on a presentation by the Deputy Chief Financial Officer of the project's objectives, milestones and current deployment status,
  - the management of the portfolio of minority interests and joint ventures, presented by the Managing Director and Chief Financial Officer,
  - the Purchasing function, its roles, organization and challenges, presented by the Senior Vice President, Purchasing,
  - international tax reform (Pillar 1 and Pillar 2) and the Group's transfer pricing policy, presented by the Senior Vice President, Tax and Customs Affairs.

The Chairman of the Audit Committee reported to the Supervisory Board on the Committee's work on February 12, April 13 and 14, July 23, and December 14, 2021.

3.2.10 COMPENSATION AND APPOINTMENTS COMMITTEE[(1)]

100% attendance rate

4 members

100% independence*

4 meetings

* *Excluding the employee representatives.*

3.2.10.1 Members[(2)]

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

Since May 2021[(3)], the Compensation and Appointments Committee has comprised the following members:

- Jean-Pierre Duprieu, independent member and Committee Chairman;
- Anne-Sophie de La Bigne, independent member;
- Thierry Le Hénaff, independent member and Senior Independent Member of the Supervisory Board;
- Delphine Roussy, non-independent (non-executive) member representing employees.

The new Board members representing employees having completed their induction training, one of them (Delphine Roussy) was appointed to sit on the Compensation and Appointments Committee in accordance with the wishes of the Supervisory Board members[(4)].

(1) At December 31, 2021.

(2) Biographical details and other information concerning the members of this Committee of the Supervisory Board are provided in section 3.1.3.3 of this 2021 Universal Registration Document.

(3) Between January and May 2021, its members were: Jean-Pierre Duprieu, independent member and Chairman of the Committee; Aruna Jayanthi, independent member; Anne-Sophie de La Bigne, independent member.

(4) See explanation in section 3.2.8 of the 2020 Universal Registration Document.

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)(1);
- the compensation awarded to the corporate officers (Managers, the Chair(man) 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 Chair(man) of the Supervisory Board.

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

3.2.10.3 Activities in 2021

The Committee met four times in 2021 – on February 4, April 13, July 23 and October 25. The overall attendance rate at Committee meetings was 100% (excluding the July 23 meeting, which was not scheduled at the beginning of the year).

The Committee's work mainly covered the following issues:

- succession plan for the Managers. The Committee examined the proposal of the Non-Managing General Partner (SAGES) to renew the appointment of the Managers and recommended that the Board renew the appointment of each of the Managers for a period of four years(2);
- review of corporate officers' compensation. At the beginning of 2021, the Committee analyzed and submitted to the Supervisory Board its conclusions concerning the achievement rates for the performance criteria applicable to the performance-based components of compensation awarded by the Company to the Managers and the Chair(man) of the Supervisory Board for 2020, prior to these conclusions being submitted to the General Partners (SAGES, Non-Managing General Partner, and Florent Menegaux, General Partner and Managing Chairman);

  These compensation components were put to the vote at the Ordinary Shareholders Meeting of May 21, 2021 in the 8th to 11th resolutions, which were each adopted by a majority of over 96% of the votes cast.

  Based on the Committee's recommendation, the Supervisory Board examined the amount of 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 May 21, 2021. The corresponding resolution (11th 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' 2021 variable compensation.

  In early 2022, 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(3);
- 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, the 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.

  To the above ends, for several years now the Compensation and Appointments Committee, led by its Chair(man), 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;
- succession plan for the Managers. In addition to reviewing executive management succession plans, in 2021 the Compensation and Appointments Committee, led by its Chair(man) and in consultation with the Chairman of SAGES, Non-Managing General Partner, reviewed the Manager succession timeline, the candidate selection criteria and assessment process and the succession implementation process;
- talent management, diversities and inclusion. In 2021, 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 diversity 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 May 21, 2021 and May 13, 2022 At the Supervisory Board's request, the Committee reviewed the proposed elections/re-elections/ratification of Supervisory Board members.

  The Committee's work and its recommendations to the Supervisory Board are described in detail in section 7.2 of the 2020 Universal Registration Document for the re-elections/elections proposed at the Annual Shareholders Meeting of May 21, 2021 and in the Supervisory Board's report on the proposed resolutions (see section 7.2 of this 2021 Universal Registration Document) for the re-elections to be proposed at the Annual Shareholders Meeting of May 13, 2022;
- 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 Committee's Chair(man) reported to the Supervisory Board on the Committee's work at the Board meetings on February 12, April 13 and 14, July 23 and December 14, 2021.

(1) As explained in section 3.1.4 above.
(2) See section 3.1.1.1 above.
(3) See the detailed description in section 3.2.6 of this report.

3.2.11 CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE(1)

100% attendance rate

4 members

100% independence*

3 meetings

* *Excluding the employee representatives.*

3.2.11.1 Members(2)

The Corporate Social Responsibility Committee must comprise at least three members (including the Chair(man) of the Committee) who fulfill the criteria for classification as independent throughout their term as members of the Supervisory Board.

The members of the CSR Committee are:

- Monique Leroux, independent member and Chair of the Committee;
- Anne-Sophie de La Bigne, independent member;
- Jean-Christophe Laourde(3), non-independent (non-executive) member representing employees;
- 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 2021

The CSR Committee met three times in 2021 – on February 11, April 12 and December 13 – with an attendance rate of 100%.

The Committee's work mainly covered the following issues:

- Cross-functional issues:
  - the CSR Committee reviewed the non-financial information (including Key Performance Indicators) presented in the Universal Registration Document and recommended certain improvements, taking into account the Group's various sustainability rankings,
  - the Group's Duty of Care plan was reviewed by the Committee,
  - a regulatory watch system (European Taxonomy, draft Corporate Sustainability Reporting Directive, Task Force on Climate-related Financial Disclosures) was set up,
  - the alignment of the Group's CSR disclosures with TCFD principles; taking into account the work of the Audit Committee, the CSR Committee examined materiality assessments of CSR risks and their consistency with the issues described in the materiality matrix;
- In the area of environmental liability:
  - when examining the alignment of the Group's CSR disclosures with TCFD principles, the Committee reviewed the plan to decarbonize its value chains, which is one of the components of its climate strategy; the other components of this strategy were examined by the Committee in early 2022,
  - the Committee was informed of the process for preparing the Group’s first report using the European Taxonomy in early 2022,
  - the Committee reviewed the negative environmental externalities and the evaluation of their impact on the Group's financial results,
  - the Committee also made a positive recommendation concerning the Group's involvement in the United Nations Race to Zero initiative;
- In the area of social responsibility:
  - the Committee examined the analysis of the decent wage policy’s deployment throughout the Group,
  - the Committee was presented with the Group's Diversity & Inclusion ambitions and policy, together with the related indicators,
  - the Committee reviewed the analysis of the Health & Safety audit findings (excluding manufacturing), which were presented to the Audit Committee in December 2021, and the corresponding action plan.

The Chair of the Committee reported to the Supervisory Board on the Committee’s work on February 14, April 13 and 14, and December 14, 2021.

(1) At December 31, 2021.

(2) Biographical details and other information concerning the members of this Committee of the Supervisory Board are provided in section 3.1.3.3 of this 2021 Universal Registration Document.

(3) Jean-Christophe Laourde joined the Committee in May 2021.

3.3 MANAGEMENT AND SUPERVISORY BOARD COMPENSATION POLICIES FOR 2022

3.3.1 GENERAL PRINCIPLES

Since 2014, the compensation awarded to the Managers and the Chair(man) of the Supervisory Board has been submitted to the shareholders at the Annual Ordinary Shareholders Meeting and, since 2020, following the method and on the basis specified in the PACTE Act that came into force that year.

The General Partners and the Supervisory Board, based on the recommendation of its Compensation and Appointments Committee, will ask the Ordinary Shareholders Meeting of May 13, 2022 to approve the 2022 Compensation Policy applicable to (i) the Managers and (ii) the Supervisory Board.

The Compensation Policy applicable to the corporate officers 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 corporate officers must be compatible with the Company's corporate interests. 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 sustainability 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 2022, the Managers have decided to share the quantitative performance criteria and indicators defined by the Supervisory Board for their own annual and long-term variable compensation with eligible employees of Group companies.

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 (excluding the member representing employees). The procedures for managing conflicts of interest within the Supervisory Board are described in section 3.2.6.

The General Partners, in the case of the Managers, or the Supervisory Board, in the case of the members of the Supervisory Board, may not depart (within the meaning of the second paragraph of Article L. 22-10-76-III of the French Commercial Code) from the Compensation Policy.

The 2022 Compensation Policy is the subject of two proposed resolutions to be presented at the Ordinary Shareholders Meeting to be called to approve the 2021 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 relating to the members of the Supervisory Board, presented in section 3.3.3 below.

(1) The Company has very few employees (fewer than five, none of whom are corporate officers) and their compensation and employment conditions do not therefore represent a relevant benchmark.

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 and submitted for shareholder approval at the Ordinary Shareholders Meeting to be called to approve the 2021 financial statements (6th resolution).

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 the 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 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 Chairman 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 decisions 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

The Compensation and Appointments Committee had previously noted that the fixed compensation of Florent Menegaux (€900,000.00) and Yves Chapot (€600,000.00) was, already at the date of determination in 2018 and unchanged since then, lower than the median fixed compensation of their counterparts in the main French listed groups(1). In addition, when it was set in 2018, the fixed compensation of Florent Menegaux, Managing Chairman was more than 22% lower than the fixed compensation of his predecessor, determined in 2014.

In 2020, in light of the efforts required of Michelin Group employees and other stakeholders during the Covid-19 health crisis, the Managers' fixed compensation was reduced by 25% for the period during which employees were furloughed in 2020.

In 2021, in light of the economic crisis and the policy of salary moderation decided for Group employees for 2020 and 2021, the Managers informed the Committee that they did not want the level of their fixed compensation to be raised in 2021.

The Committee made the following proposals(2):

- to keep the Managers' fixed compensation for 2021 at the level applicable since 2018, i.e., €900,000.00 for Florent Menegaux and €600,000.00 for Yves Chapot; and
- to recommend that these amounts be revised in 2022.

The Committee examined in depth the conditions for revising their fixed compensation in 2022 and considered the following elements in particular:

- concerning the principle of the decision:
  - this measure, already mentioned by the Chair of the Compensation and Appointments Committee at the Annual Shareholders Meeting of June 23, 2020(3) and proposed by the Committee in 2021, was recommended by the Supervisory Board and then postponed to 2022, due to the economic situation linked to the Covid-19 crisis,
  - the fixed compensation of the Managers, as determined in 2018, was not increased at any point during their first term (May 2018-May 2022); on the contrary, it was reduced by 25% in 2020 during the period when employees in France were furloughed,
  - the Supervisory Board and the Non-Managing General Partner (SAGES) consider this increase to be justified in light of the Managers' achievements during their first term of office, including:
    - the seamless implementation of the Managers' succession plan,
    - more dynamic governance processes with the Supervisory Board, as noted in the external consultants' assessment of the Board's practices, and with the Non-Managing General Partner (SAGES),
    - the efficient management of the consequences of the Covid-19 crisis,
    - the preparation and launch of the Group's new expansion strategy around and beyond tires and the launch of the Group's transformation initiatives,
  - the Managers' fixed compensation would be increased only from the beginning of their second four-year term, i.e., after the next Annual Shareholders Meeting in May 2022, and would then remain unchanged for the duration of their second term;
- concerning the quantum of the increase in fixed compensation:
  - Florent Menegaux, Managing Chairman and General Partner: his fixed compensation would be raised to the amount paid to his predecessor between 2014 and 2019, i.e., €1,100,000.00 per year, resulting in an amount of €1,016,670.00 for 2022 (rounded, with the new compensation applied from June 1, 2022),

(1) *Considering the convergent results of several studies carried out by leading compensation consultants on the compensation of equivalent categories of Company executives of CAC 40 companies.*
(2) *See the Committee's conclusions in section 3.3.2.2 of the 2020 Universal Registration Document.*
(3) *See the presentation by the Chair of the Compensation and Appointments Committee to the Annual Shareholders Meeting of June 23, 2020.*

- Yves Chapot, General Manager: his new fixed compensation would amount to €770,000.00 per year, resulting in an amount of €700,000.00 for 2022 (rounded, with the new compensation applied from June 1, 2022),
- these changes should be considered in relation not only to the fact that the Managers' original fixed compensation remained unchanged throughout their first term, but also that their new compensation would remain unchanged throughout their second term, i.e., until 2026,
- the proposed increases are of the same order of magnitude as the average increase in the basic compensation of Group employees over the same interval,
- the Managers' new fixed compensation would correspond to[1]:
  - for Florent Menegaux, the median compensation of the Chief Executives of CAC 40 companies,
  - for Yves Chapot, the median compensation of the Chief Operating Officers of CAC 40 companies.

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 joint and personal liability for the Company's debts, the General Partners are entitled to a share of annual profit (the "Profit Share") determined on the basis defined in the Company's Bylaws. This means that their interests are fully aligned with those of the shareholders, as they are paid Profit Shares only if the Company makes a profit[2].

Allocation method

The Profit Share is defined in Articles 12 and 30 of the Company's Bylaws, which state[3] that:

- the portion of the Profit Share attributable to the Managing General Partner(s) is determined by reference to the objectives set in advance by the Supervisory Board;
- the portion attributable to the Non-Managing General Partner is equal to the portion attributable to the Managing General Partner(s) in respect of his/her/their annual variable compensation or in any other form whatsoever (including in performance shares).

In all cases, the total Profit Share due to the General Partners is capped at 0.6% of consolidated net income for the year.

Calculation method

- at the beginning of each year, the Managers propose to the Compensation and Appointments Committee performance criteria and objectives that are consistent with the guidance and information communicated to the market;
- the Compensation and Appointments Committee analyses the Managers' proposals, taking into account:
  - AFEP/MEDEF Code recommendation 25 concerning the calculation principles and content of compensation packages;
  - the practices of the CAC 40 companies and appropriate benchmarks;
  - the compensation and employment conditions of Michelin employees;
  - the intrinsic variability of the Company's profits;
  - projected future profits; and
  - the unusual nature of General Partner status.
- the Compensation and Appointments Committee shares its conclusions with the Non-Managing General Partner (SAGES) and presents its recommendations to the Supervisory Board;
- the Supervisory Board discusses the recommendations of the Compensation and Appointments Committee and decides on the performance criteria and objectives for the current year;

(1) Based on the convergent results of studies carried out by leading compensation consultants and analyzed by the Compensation and Appointments Committee.
(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.
(3) The Bylaws were amended by the Extraordinary Shareholders Meeting of May 21, 2021 (15th and 16th resolutions, respectively approved by 98.39% and 98.37% of the votes cast) in order to simplify the method of calculating the Profit Share, limit the portion of the Profit Share attributable to the Non-Managing General Partner (SAGES) and stipulate that free shares may be awarded to the Managers. Previously, the Profit Share defined in the Company's Bylaws was calculated on the basis of the Company's net income for the year, less dividends received from its two main subsidiaries. The total amount due to the General Partners was capped at 0.6% of consolidated net income for the year and the amount paid to the Non-Managing General Partner corresponded to the total Profit Share less the amount paid to the Managing General Partner (see section 3.3.2.3 of the 2020 Universal Registration Document).

- the General Partners then meet to set the compensation policy for the Managers for the current year and to formalize, subject to adoption by the Ordinary Shareholders Meeting of the corresponding resolutions i) for the Managing General Partner, by way of an agreement between the General Partners, the portion of the earnings for the current year that may be allocated to the Managing General Partner as annual variable compensation within the limits set by the Bylaws, and ii) for the General Manager, by way of a decision of the General Partners, the annual compensation components concerning him; said agreement and decision taking into account and integrating the performance criteria and annual variable compensation objectives set by the Supervisory Board, after consultation and deliberation by the latter;
- the Managing Chairman, after confirming the Non-Managing General Partner's approval, submits the corresponding draft resolutions to the Ordinary Shareholders Meeting under the conditions set out in the applicable regulations;
- once the compensation policy has been approved by the Ordinary Shareholders Meeting, the General Partners sign an agreement covering the determination of the Profit Share and formally recognizing that the criteria for determining the Managing General Partner's annual variable compensation will be applied to calculate the portion of the Profit Share attributable to him.

At each year-end, the Compensation and Appointments Committee reviews the results for the applicable objectives and presents its recommendations to the Supervisory Board.

The Supervisory Board confirms the Compensation and Appointments Committee's performance assessment and shares this assessment with the Non-Managing General Partner.

The General Partners approve the components of the annual and long-term variable compensation to be paid or delivered to the Managing Chairman and General Partner based on the Supervisory Board's assessment of the achievement rate for the performance objectives and criteria.

Annual variable compensation structure

The annual variable compensation of Florent Menegaux would consist of two components:

- a first component, calculated in a specific way because of his financial and legal responsibility as General Partner, would be equal to 4% of the maximum Profit Share. The same principle is also used – after adjustment – to determine the General Manager's variable compensation;
- a second component, with an overall weighting of 80%, would be calculated on the basis of a percentage of his annual fixed compensation and would be determined by the results of the following performance criteria decided by the Supervisory Board:
  - two quantitative criteria (each weighted at 25%):
    - growth in segment operating income (SOI), and
    - growth in structural free cash flow before acquisitions,

    these criteria also apply to the General Manager and to all Group employees who are eligible to participate in the bonus scheme,
  - five quantifiable qualitative criteria:
    - deployment of the Group's transformations (10% weighting),
    - synergies achieved on the latest company acquisitions (5% weighting),
    - the level of the Total Case Incident Rate (TCIR) (with a 5% weighting),
    - the percentage of women in the management group (5% weighting),
    - the level of CO_2 emissions (Scopes 1 and 2 and upstream/downstream transport activities in Scope 3) (5% weighting).

  These seven criteria would also be applied to the General Manager and the following would be applied to each criterion: a trigger point (below which no compensation would be due), a target (if the target is met, 100% of the compensation for the criterion would be payable), an outperformance tranche (between 100% and 150% of the objective, with the compensation prorated to the achievement rate for the objective) and an intermediate tranche (between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective);
- the total annual variable compensation (i.e., the sum of the first and second components) would be capped, as decided by the Supervisory Board for the 2021 annual variable compensation, at 150% of the reference fixed compensation. For example, for fixed compensation of €1,016,670.00 for 2022, the total annual variable compensation would be capped at €1,525,000.00, and would be deducted from the Profit Share.

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 2021 objectives set by the Supervisory Board for the quantitative performance criteria are presented in section 3.4.4.2 of this report.

Yves Chapot, General Manager

Calculation method

The performance criteria and objectives applicable to the General Manager would be determined and assessed in the same way as for the Managing Chairman, except for the specific features linked to the status of General Partner.

Annual variable compensation structure

Yves Chapot's annual variable compensation would be calculated on a basis equal to 100% of his 2022 fixed compensation, with the same performance criteria as those used to determine the Managing Chairman's variable compensation, as presented above:

- three quantitative criteria:
  - growth in net income (20% weighting), growth in segment operating income (25% weighting),
  - growth in structural free cash flow before acquisitions (25% weighting),
  - for a total amount equal to up to 70% of the base;
- five quantifiable qualitative criteria:
  - deployment of the Group's transformations (10% weighting),
  - synergies achieved on the latest company acquisitions (5% weighting),
  - the level of the Total Case Incident Rate (TCIR) (with a 5% weighting),
  - the percentage of women in the management group (5% weighting),
  - the level of CO_2 emissions (Scopes 1 and 2 and upstream/downstream transport activities in Scope 3) (5% weighting).

The following would be applied to each criterion: a trigger point (below which no compensation would be due), a target (if the target is met, 100% of the compensation for the criterion would be payable) an outperformance tranche (between 100% and 150% of the objective, with the compensation prorated to the achievement rate for the objective) and an intermediate tranche (between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective);

- the total annual variable compensation would be capped, as decided by the Supervisory Board for the 2021 annual variable compensation, at 150% of the reference fixed compensation.

For example, for fixed compensation of €700,000.00 for 2022, the total annual variable compensation would be capped at €1,050,000.00.

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 2021 objectives set by the Supervisory Board for the quantitative performance criteria are presented in section 3.4.5.2 of this report.

Long-term variable compensation: performance share rights

In order to align the Managers' medium/long-term objectives with the objectives assigned to the employees of Group companies, this compensation takes the form of Michelin performance share rights(1).

Among the changes adopted in 2020 to strike a better balance between the People, Planet and Profit criteria, the weightings of the performance criteria applicable to all employees participating in the performance share plan were adjusted to raise the CSR performance criterion from 30% in 2020 to 40% in 2021 (both indicators combined), and lower the operational performance criterion from 40% to 30% (both indicators combined).

The performance criteria are as follows:

Criteria		Weighting
Share price performance	Michelin share price to outperform the Stoxx Europe 600 index by between 0 points (threshold) and 5 points (ceiling) between 2021 and 2024 (based on average closing prices for the period)	30%
Corporate social responsibility performance	Industrial-Michelin Environmental Performance (i-MEP(1)) indicator to range between 87 points (threshold) and 83 points (ceiling) in 2024	20%
	Change in average employee engagement rate: average annual change to range between 0 points (threshold) and 1 point (ceiling) on a like-for-like consolidated basis over the years 2022, 2023 and 2024	20%
Operating performance	Average annual growth in revenue excluding tires and distribution(2) to range between 5% (threshold) and 10% (ceiling) between 2022/2021, 2023/2022 and 2024/2023	15%
	Total consolidated return on capital employed (ROCE) (including acquisitions, related goodwill and equity-accounted companies) to range between 10% (threshold) and 11% (ceiling) in 2024	15%

(1) Annual scope based on reported figures, including acquisitions from the fourth year of consolidation in the Group's financial statements.
(2) At constant exchange rates and based on a comparable scope of consolidation.

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.

The main specific characteristics of the performance share rights that may be awarded to the Managers in 2022 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 approved on June 23, 2020, 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, for the Managing Chairman, the performance share rights granted in 2022 would be limited to 140% of his 2022 fixed compensation and for the General Manager, the rights granted in 2022 would be limited to 120% of his 2022 fixed compensation; these levels correspond to the median rates for their counterparts in CAC 40 companies(2);
- 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 were issued;

(1) Authorized by the Extraordinary Shareholders Meeting of June 23, 2020 (25th resolution approved by a majority of 97.02% of the votes cast), in application of the criteria presented in section 7.1.1 of the 2019 Universal Registration Document and adapted by the 2021 Compensation Policy (see section 3.3.2.3 of the 2020 Universal Registration Document).
(2) Based on the Compensation and Appointments Committee's analysis of the convergent results of several studies carried out by leading compensation consultants.

- 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 vesting 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 corporate officers of the Company or MFPM, Florent Menegaux and Yves Chapot 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

There is no specific supplementary pension plan set up for the Managers or the Chair(man) of the Supervisory Board.

Florent Menegaux, in his capacity as Chairman of MFPM, and Yves Chapot, in his capacity as General Manager of CGEM, participate in the supplementary pension plan described in sections 3.4.4.5 and 3.4.5.5 of this 2021 Universal Registration Document.

In accordance with Government Order No. 2019-697 dated July 3, 2019, this plan has been closed to new members since July 4, 2019 and the vesting period was frozen at December 31, 2019.

Under the plan rules, the vested rights of the current two Managers entitle them to capped pension benefits corresponding to a 15% replacement rate.

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 Managers participate in the PERO 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.

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 2021 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 2022 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.

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 for the following reasons:

- 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.

3.3.2.11 Proposed resolution on the Compensation Policy for the Managers

At the Ordinary Shareholders Meeting called to approve the 2021 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 2021 Universal Registration Document.

(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.

3.3.3 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 Ordinary Shareholders Meeting called to approve the 2021 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 Ordinary Shareholders Meeting of May 17, 2019, the total compensation payable to Supervisory Board members was set at €770,000.00 (12th resolution, adopted by a majority of 99.15% of the votes cast).

Due in particular to the increase in the number of Supervisory Board members (with the addition of two new members) and the creation of a new Corporate Social Responsibility Committee (CSR Committee), it was not possible to pay in full the compensation per Supervisory Board member defined in the 2021 Compensation policy.

To take these changes into account, the Compensation and Appointments Committee recommended that the Supervisory Board present to the Annual Shareholders Meeting of May 13, 2022 a resolution to increase the total amount of compensation awarded to the Supervisory Board to €950,000.00 as of 2022. The rules concerning the allocation of this amount would be unchanged from those specified in the 2021 Compensation Policy:

- allocation of a basic amount to each member (€45,000.00);
- allocation of additional amount no. 1 to each member who sits on a Committee of the Supervisory Board and participates in its work (€15,000.00);
- allocation of additional amount no. 2 to each member who serves as Chair of a Committee of the Supervisory Board and participates in its work, (€30,000.00 or €35,000.00 for the Chair of the Audit Committee) (recipients of this additional amount no. 2 are not entitled to additional amount no. 1 for their participation in the Committee's work);
- allocation of additional amount no. 3 to the Senior Independent Member of the Supervisory Board (€15,000.00);
- allocation of additional amount no. 4 to the Chair(man) of the Supervisory Board (€75,000.00), who is not entitled to additional amounts nos. 1, 2 or 3;
- allocation of additional amount no. 5 to Supervisory Board members who live outside Europe on a permanent basis (€10,000.00, prorated to their physical attendance at meetings of the Board and its Committees).

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 Chair(man) 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 Ordinary Shareholders Meeting called to approve the 2021 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 2021 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 Supervisory Board members in 2021.

The 2021 compensation policy for Supervisory Board members was presented to the Ordinary Shareholders Meeting of May 21, 2021 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 2021 is provided in section 3.2.2 of this 2021 Universal Registration Document.

The following table shows:

- amounts paid in 2020 in respect of services to the Board in 2019;
- amounts awarded for services to the Board in 2020, paid in 2021;
- amounts paid in 2021 in respect of services to the Board in 2020;
- amounts awarded for services to the Board in 2021, not yet paid.

Supervisory Board members	2021(1)		2020(1)	
	Amount awarded *(in €)*	**Amount paid** *(in €)*	**Amount awarded** *(in €)*	**Amount paid** *(in €)*
Barbara Dalibard(2)	91,153	80,000	80,000	90,000
Olivier Bazil(3)	N/A	35,500	35,500	80,000
Jean-Pierre Duprieu	71,963	62,500	62,500	60,000
Aruna Jayanthi	57,570	70,000	70,000	70,000
Anne-Sophie de La Bigne	71,963	65,000	65,000	71,250
Patrick de La Chevardière(4)	76,760	44,500	44,500	N/A
Jean-Christophe Laourde(5)	51,573	9,000	9,000	N/A
Thierry Le Hénaff	71,963	68,330	68,330	56,727
Monique Leroux	86,355	80,000	80,000	70,000
Cyrille Poughon(6)	N/A	47,250	47,250	60,000
Michel Rollier(7)	47,975	120,000	120,000	112,800
Delphine Roussy(5)	51,573	9,000	9,000	N/A
Wolf-Henning Scheider(8)	33,582	N/A	N/A	N/A
Jean-Michel Severino(9)	57,570	17,750	17,750	N/A
TOTAL	**770,000(10)**	**708,830(11)**	**708,830(11)**	**670,777**

(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) Chair of the Supervisory Board since May 2021.
(3) Supervisory Board member until June 2020.
(4) Supervisory Board member since June 2020.
(5) Supervisory Board member since December 2020.
(6) Supervisory Board member until October 2020.
(7) Chairman and member of the Supervisory Board until May 2021.
(8) Supervisory Board member since May 2021.
(9) Supervisory Board member since November 2020.
(10) The amounts awarded in respect of 2021 have been determined in application of the 2021 Supervisory Board Compensation Policy approved by the Ordinary Shareholders Meeting of May 21, 2021 (7th resolution adopted by a majority of 99.84% of the votes cast).
(11) The amounts paid in 2021 were awarded in respect of 2020 out of the total annual compensation of €770,000 decided by the Ordinary Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast).

3.4.2 COMPENSATION OF MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD UNTIL MAY 21, 2021

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 until his term as Supervisory Board member expired on May 21, 2021. The review was based on the 2021 Compensation Policy.

3.4.2.1 Compensation for serving on the Supervisory Board

In 2021, Michel Rollier received a total of €120,000.00.00 in respect of 2020.

Under the 2021 Compensation Policy, Michel Rollier is in line to receive €47,975 in 2022 in respect of the period served on the Supervisory Board in 2021.

No variable compensation was paid or awarded to Michel Rollier during or in respect of 2021.

Information about Michel Rollier’s attendance rate at meetings of the Supervisory Board and its Committees in 2021 is provided in section 3.2.2 of this 2021 Universal Registration Document.

3.4.2.2 Other compensation

No other compensation was paid or awarded to Michel Rollier during or in respect of 2021.

3.4.3 COMPENSATION OF BARBARA DALIBARD, CHAIR OF THE SUPERVISORY BOARD SINCE MAY 21, 2021

The Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation paid or awarded to Barbara Dalibard in her capacity as Chair of the Supervisory Board since May 21, 2021 when she was elected to this position by her fellow Supervisory Board members. The review was based on the 2021 Compensation Policy.

3.4.3.1 Compensation for serving on the Supervisory Board

Under the 2021 Compensation Policy, Barbara Dalibard is in line to receive €91,153.00 in 2022 in respect of 2021, including compensation for her service as Chair of the Supervisory Board for the period from May 2021.

No variable compensation was paid or awarded to Michel Rollier during or in respect of 2021.

Information about Barbara Dalibard's attendance rates at meetings of the Supervisory Board and its Committees in 2021 is provided in section 3.2.2 of this 2021 Universal Registration Document.

3.4.3.2 Other compensation

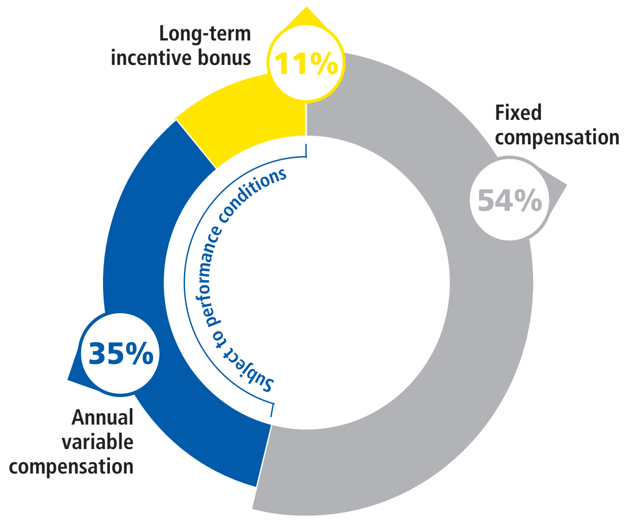
No other compensation was paid or awarded to Barbara Dalibard during or in respect of 2021.

3.4.4 COMPENSATION PACKAGE OF FLORENT MENEGAUX, MANAGING CHAIRMAN AND 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 as provided for in the Bylaws. As consideration for this liability, the General Partners each receive a portion of the Company's profits 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.

The Compensation and Appointments Committee of the Supervisory Board has reviewed all the components of the compensation paid to Florent Menegaux in 2021 or awarded to him in respect of 2021, pursuant to the 2021 Compensation Policy. This policy is described in the Corporate Governance Report reproduced in the 2020 Universal Registration Document[(2)] and was presented to the Annual Shareholders Meeting of May 21, 2021 by the Chair of the Compensation and Appointments Committee (the "2021 Compensation Policy")[(3)].

COMPENSATION PAID TO FLORENT MENEGAUX IN 2021



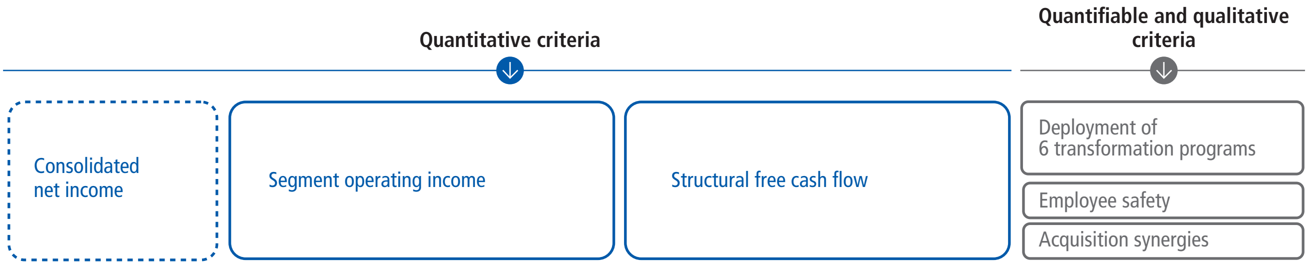
3.4.4.1 Fixed compensation

In application of the 2021 Compensation Policy, the fixed compensation received by Florent Menegaux, unchanged since his election by the Annual Shareholders Meeting of May 18, 2018, was €900,000.00[(4)].

3.4.4.2 Annual variable compensation

Florent Menegaux's annual variable compensation has been determined in application of the 2021 Compensation Policy and is deducted in full from the General Partners' 2021 Profit Share[(5)].

ANNUAL VARIABLE COMPENSATION



(Illustrative example of the breakdown of the relative weighting of each of the criteria (excluding consolidated net income) corresponding to the maximum achievement of all the objectives and not to the 2021 results)

(1) *At December 31, 2021, the Company had two General Partners: Florent Menegaux, Managing Chairman, and SAGES, Non-Managing General Partner (see section 3.1.2 of this 2021 Universal Registration Document).*
(2) *See sections 3.3.1 and 3.3.2 of the 2020 Universal Registration Document.*
(3) *See the information/presentations on the May 21, 2021 Annual Shareholders Meeting on the Company's website www.michelin.com.*
(4) *Compensation paid by Manufacture Française des Pneumatiques Michelin (MFPM) in consideration of his role as General Manager of the Company.*
(5) *See the 2nd resolution presented to the Annual Shareholders Meeting of May 13, 2022. The Profit Share is fixed in the Company's Bylaws and is capped at 0.6% of consolidated net income for the year (see sections 3.3.2.3 and 3.10.5 of this 2021 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	Segment operating income *(SOI, based on 2020 exchange rates and consolidation scope)*	Annual structural free cash flow	Level of consolidated net income
Indicator	Amount	Amount	Amount
Target	Threshold: €2,400m Target: €2,800m Ceiling: €3,000m	Threshold: €800m Target: €1,000m Ceiling: €1,100m	4.00%
Indicator: 2021 Actual	€3,108m	€1,793m	€1,845m
Maximum value *(% of the Profit Share)*(1)	8.00%	8.00%	4.00%
Achievement rate	8.00%	8.00%	4.00%

(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 six transformations	CSR/TCIR(1)	Acquisition synergies(2)
Maximum value *(% of the Profit Share)*	2.00%	1.00%	1.00%
Achievement rate	1.32%	0%	1.00%

(1) Total Case Incident Rate.
(2) Scope: Camso, Fenner, Multistrada and Masternaut (based on 2020 exchange rates).

Overall achievement rate	18.32%/20%(1)
Amount awarded *(in €)*	1,350,000.00(2)
As a % of the reference fixed compensation	150.00%

(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.
(2) Based on the achievement rates for the performance criteria, Florent Menegaux's theoretical annual variable compensation amounts to €2,028,097, reduced to an actual amount of €1,350,000 after applying the cap of 150% of his reference fixed compensation (€900,000).

All quantitative and qualitative objectives were set at the start of 2021 and were not adjusted during the year.

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 six transformations" criterion, the Committee noted that the objectives had been met, based on the new strategic dashboard evidencing:
  - changes in the Balanced Score Card in line with expectations,
  - deployment of the People, Profit, Planet strategy,
  - advances in the Group's strategic diversification;
- 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 not been met, with the TCIR at 1.29;
- for the criterion concerning implementation of the synergies created by the integration of Camso, Fenner, Multistrada and Masternaut, the Committee noted that total synergistic benefits of €122 million had been obtained in 2021, representing a significant increase compared to 2020 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 18.32% versus a maximum of 20.00%. Given the Calculation Base of €11,070,402.00 (0.60% of consolidated net income for the year), Florent Menegaux's theoretical annual variable compensation therefore amounts to €2,028,097.00. reduced to an actual amount of €1,350,000.00 after applying the cap of 150.00% of his reference fixed compensation.

After discussing the matter during its meeting on February 11, 2022, the Supervisory Board approved the Compensation and Appointments Committee's recommendations, which were then also approved by the General Partners.

3.4.4.3 Long-term variable compensation granted in 2021: performance share rights

DEFERRED VARIABLE COMPENSATION

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)	industrial - Michelin Environmental Footprint (i-MEP)	Change in the employee engagement rate

(Illustrative example of the breakdown of the relative weighting of each of the criteria, corresponding to the maximum achievement of all the objectives and not to the 2021 results)

On November 17, 2021, 8,397 performance share rights were awarded to Florent Menegaux. The book value of these rights at December 31, 2021 was €727,106.88 (based on IFRS 2) and the rights represented less than 0.0048% of the total Michelin shares outstanding at the year-end.

This award was:

- authorized in an extraordinary resolution of the Annual Shareholders Meeting of June 23, 2020[(1)];
- made on the proposal of the General Partners in application of the conditions and criteria determined by the Supervisory Board, as presented in the 2019 and 2020 Universal Registration Documents[(2)], and in application of the 2021 Compensation Policy.

In application of the 2021 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;
- the award is limited to 100% of the Manager's fixed annual compensation for that year;
- in addition, performance share rights awarded to the Managers during the period of validity of the above-mentioned resolution (38 months) 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 beneficiaries as mentioned under the abovementioned 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.

(1) 25th resolution approved by a majority of 97.02% of the votes cast.
(2) See section 7.1.1 of the 2019 Universal Registration Document and section 3.3.2.3 of the 2020 Universal Registration Document (2021 Compensation Policy).

The performance criteria are presented below.

Criteria		Weighting	Interim results 2021 vs. 2020
Share price performance	Michelin share price to outperform the Stoxx Europe 600 index by between 0 points (threshold) and 5 points (ceiling) between 2020 and 2023 (based on average closing prices for the period)	30.00%	+11.3 points
			2021
Corporate social responsibility performance	Industrial-Michelin Environmental Performance (i-MEP[1] indicator of between 92 points (threshold) and 88 points (ceiling) in 2023	20.00%	92.6 points
	Change in average employee engagement rate: average annual change of between 0 points (threshold) and 1 point (ceiling) on a like-for-like consolidated basis over the years 2021, 2022 and 2023	20.00%	-2.0 points
Operating performance	Average annual growth in revenue excluding tires and distribution[2] of between 3% (threshold) and 8% (ceiling) between 2021/2020, 2022/2021 and 2023/2022	15.00%	7.70%
	Total consolidated return on capital employed (ROCE) (including acquisitions, related goodwill and equity-accounted companies) of between 10% (threshold) and 11% (ceiling) in 2023.	15.00%	10.30%

(1) Annual scope based on reported figures, including acquisitions from the fourth year of consolidation in the Group's financial statements.
(2) At constant exchange rates and based on a comparable scope of consolidation.

For all criteria, fulfillment is calculated as follows:

- performance below threshold: no shares will vest;
- performance between the threshold and the ceiling: vesting rate pro rated to the achievement rate;
- performance equal to or greater than the ceiling: all the shares will vest.

3.4.4.4 Fringe benefits, stock options and directors' or Supervisory Board members' compensation

In line with the 2021 Compensation Policy, in 2021 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 3.6.1.2).

3.4.4.5 Pension benefits

There is no specific supplementary pension plan set up for the Managers or the Chair(man) of the Supervisory Board.

In his capacity as Chairman 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. 22-10-16 of the French Commercial Code, this plan, governed by Article L. 137-11 of the French Social Security Code *(Code de la sécurité sociale)* and Article 39 of the French General Tax Code *(Code général des impôts)*, 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;
- 1.50% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15.00% 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 35.00%;
- 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 corporate officer, in accordance with Article L. 137-11 of the French Social Security Code;
- 70.00% of the prior year's benefit obligation is funded through a contribution to an insured plan.

Mr. Menegaux's reference compensation for 2021 was made up solely of the annual fixed compensation paid by MFPM.

Based on the assumptions in Article D. 22-10-16 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.

In consideration of his position, Florent Menegaux participates in the PERO mandatory supplementary 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 Yves Chapot in 2021[(1)].

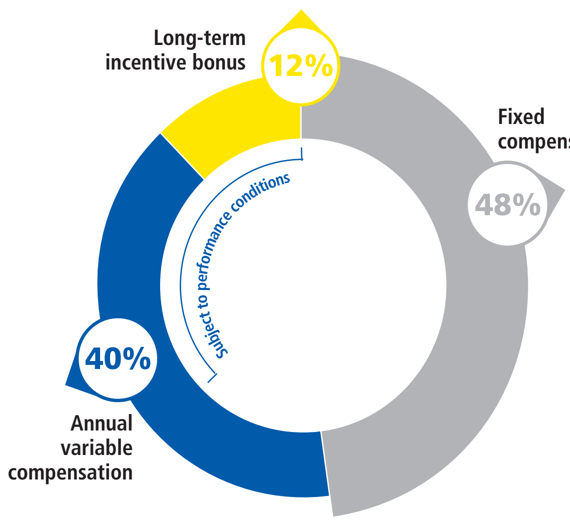
3.4.4.7 Non-compete clause

No non-compete indemnity was paid to Florent Menegaux in 2021[(1)].

3.4.5 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 2021 or awarded to him in respect of 2021 in his capacity as General Manager, pursuant to the 2021 Compensation Policy. This policy is described in the Corporate Governance Report reproduced in the 2020 Universal Registration Document[(2)] and was presented to the Annual Shareholders Meeting of May 21, 2021 by the Chair of the Compensation and Appointments Committee (the "2021 Compensation Policy")[(3)].

COMPENSATION PAID TO YVES CHAPOT IN 2021



3.4.5.1 Fixed compensation

In application of the 2021 Compensation Policy, Yves Chapot's fixed compensation, unchanged since his election by the Annual Shareholders Meeting of May 18, 2018, was €600,000 in 2021.

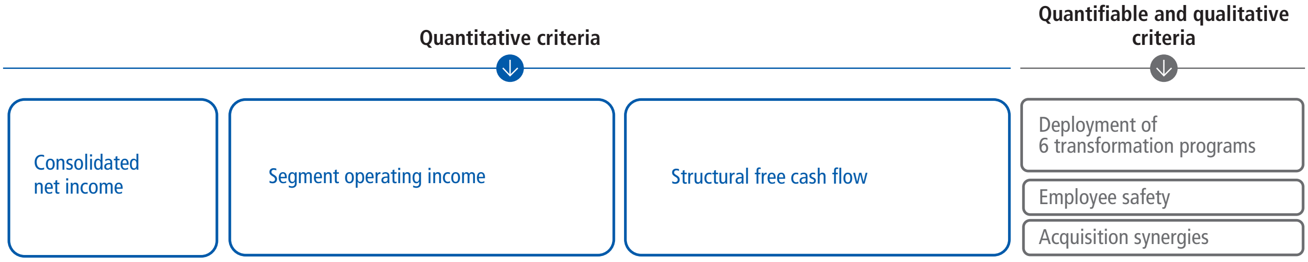
3.4.5.2 Annual variable compensation

In application of the 2021 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 2021 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.

(1) See detailed disclosures in section 3.6.1.12 of the 2021 Universal Registration Document.
(2) See sections 3.4.1 and 3.4.2 of the 2020 Universal Registration Document.
(3) See the information/presentations on the May 21, 2021 Annual Shareholders Meeting on the Company's website www.michelin.com.

ANNUAL VARIABLE COMPENSATION



(Illustrative example of the breakdown of the relative weighting of each of the criteria, corresponding to the maximum achievement of all the objectives and not to the 2021 results)

The achievement rates for the criteria that determine the amounts due in respect of annual variable compensation are as follows:

Quantitative criteria	Segment operating income *(SOI, based on 2020 exchange rates and consolidation scope)*	Annual structural free cash flow	Level of consolidated net income
Indicator	Amount	Amount	Amount
Target	Threshold: €2,400m Target: €2,800m Ceiling: €3,000m	Threshold: €800m Target: €1,000m Ceiling: €1,100m	Threshold: €1,050m Target: €1,250m Ceiling: €1,350m
Indicator: 2021 Actual	€3,108m	€1,793m	€1,845m
Maximum value[(1)]	40	40	20
Achievement rate	40	40	20

(1) If all the objectives were achieved in full, the result would however be limited to 80.

Quantifiable qualitative criteria	Deployment of the six transformations	CSR/TCIR[(1)]	Acquisition synergies[(2)]
Maximum value *(out of 20)*	10	5	5
Achievement rate	6.6	0	5

(1) Total Case Incident Rate.
(2) Scope: Camso, Fenner, Multistrada and Masternaut (based on 2020 exchange rates).

Overall achievement rate	91.60/100[(1)]
Amount awarded based on quantifiable qualitative criteria *(in €)*	824,400
As a % of the reference fixed compensation	137.4%

(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 2021 and were not adjusted during the year.

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 six transformations" criterion, the Committee noted that the objectives had been met, based on the new strategic dashboard evidencing:
  - changes in the Balanced Score Card in line with expectations,
  - deployment of the People, Profit, Planet strategy,
  - advances in the Group's strategic diversification;
- 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 1.29;
- for the criterion concerning implementation of the synergies created by the integration of Camso, Fenner, Multistrada and Masternaut, the Committee noted that total synergistic benefits of €122 million had been obtained in 2021, representing a significant increase compared to 2020 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 91.60/100. Given the Calculation Base, Yves Chapot's annual variable compensation for 2021 amounts to €824,400.00.

After discussing the matter during its meeting on February 11, 2022, the Supervisory Board approved the Compensation and Appointments Committee's recommendations, which were then also approved by the General Partners.

3.4.5.3 Long-term variable compensation granted in 2021: performance share rights

DEFERRED VARIABLE COMPENSATION

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)

industrial - Michelin Environmental Footprint (i-MEP)

Change in the employee engagement rate

(Illustrative example of the breakdown of the relative weighting of each of the criteria, corresponding to the maximum achievement of all the objectives and not to the 2021 results)

On November 17, 2021, 5,598 performance share rights were awarded to Yves Chapot. The book value of these rights at December 31, 2021 was €484,737.92 (based on IFRS 2) and the rights represented less than 0.0032% of the total Michelin shares outstanding at the year-end.

This award was made in application of the 2021 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. It was authorized by the Extraordinary Shareholders Meeting of June 23, 2020[(1)] and complied with the criteria set out in the 2019 and 2020 Universal Registration Documents[(2)].

In application of the 2021 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;
- the 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 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 beneficiaries as mentioned 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.

(1) 25th resolution approved by a majority of 97.02% of the votes cast.
(2) See section 7.1.1 of the 2019 Universal Registration Document and section 3.3.2.3 of the 2020 Universal Registration Document (2021 Compensation Policy).

The performance criteria are presented below.

Criteria		Weighting	Interim results		
			2021 vs. 2020		
Share price performance	Michelin share price to outperform the Stoxx Europe 600 index by between 0 points (threshold) and 5 points (ceiling) between 2020 and 2023 (based on average closing prices for the period)	30%	+11.3 points		
			2021	2022	2023
Corporate social responsibility performance	Industrial-Michelin Environmental Performance (i-MEP[1] indicator of between 92 points (threshold) and 88 points (ceiling) in 2023	20%	92.6 points		
	Change in average employee engagement rate: average annual change of between 0 points (threshold) and 1 point (ceiling) on a like-for-like consolidated basis over the years 2021, 2022 and 2023	20%	-2.0 points		
Operating performance	Average annual growth in revenue excluding tires and distribution[2] of between 3% (threshold) and 8% (ceiling) between 2021/2020, 2022/2021 and 2023/2022	15%	7.7%		
	Total consolidated return on capital employed (ROCE) (including acquisitions, related goodwill and equity-accounted companies) of between 10% (threshold) and 11% (ceiling) in 2023.	15%	10.3%		

(1) Annual scope based on reported figures, including acquisitions from the fourth year of consolidation in the Group's financial statements.
(2) At constant exchange rates and based on a comparable scope of consolidation.

For all criteria, fulfillment is calculated as follows:
- performance below threshold: no shares will vest;
- performance between the threshold and the ceiling: vesting rate pro rated to the achievement rate;
- performance equal to or greater than the ceiling: all the shares will vest.

3.4.5.4 Fringe benefits, stock options and directors' or Supervisory Board members' compensation

In line with the 2021 Compensation Policy, in 2021 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.

Yves Chapot has a fringe benefit in the form of a company car (see the table in section 3.6.1.3).

3.4.5.5 Pension benefits

There is no specific supplementary pension plan set up for the Managers or the Chair(man) 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. 22-10-16 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 corporate 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.

Yves Chapot's reference compensation for 2021 in his capacity as General Manager was made up of his annual fixed compensation and his annual variable compensation.

Based on the assumptions in Article D. 22-10-16 of the French Commercial Code introduced by Decree No. 2020-1742, the estimated gross annual pension payable to Mr. Chapot under this plan amounts to €146,416.

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 General Manager of CGEM, Yves Chapot participates in the PERO mandatory supplementary pension plan in the same way as all employees of CGEM and MFPM.

3.4.5.6 Compensation for loss of office

No compensation for loss of office was paid to Yves Chapot in 2021[(1)].

3.4.5.7 Non-compete clause

No non-compete indemnity was paid to Yves Chapot in 2021[(1)].

3.4.6 COMPENSATION RATIOS OF THE MANAGERS AND THE CHAIR(MAN) 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;
- Barbara Dalibard has been Chair of the Supervisory Board since May 2021;
- Jean-Dominique Senard was Managing Chairman and General Partner during the reporting period, until May 2019;
- Michel Rollier was Chairman of the Supervisory Board during the reporting period, until May 2021.

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 specific compensation.

The Company has very few employees (fewer than five, none of whom are corporate directors). The ratios of the Managers' pay and of the Supervisory Board Chair'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 79% of the Michelin Group's total workforce in France at December 31, 2021.

This subsidiary is engaged in manufacturing, sales, and research and development activities and also hosts the vast majority of Michelin Group's corporate departments.

The methodology and scope of the information presented are identical to those used for the report prepared for 2020[(2)].

The two performance indicators selected at the level of the Michelin Group are total sales and 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.

For the Chair(man) of the Supervisory Board, the increase in the ratio in 2021 was solely due to the fact that the compensation paid in 2020 was reduced due to the application of attendance rules (the Chairman missed one Board meeting in 2020). There was no increase or change in the rules for the distribution of Supervisory Board compensation among its members.

In addition, for the General Manager, the increase in the ratio in 2021 is due to an increase in the variable compensation paid to him in 2021 in respect of 2020.

(1) See detailed disclosures in section 3.6.1.12 of the 2021 Universal Registration Document.
(2) By applying the "Guidelines on Compensation Multiples" published by the AFEP in February 2021.

RATIOS PRESENTED IN APPLICATION OF ARTICLE L. 22-10-9-I, PARAGRAPHS 6 AND 7, OF THE FRENCH COMMERCIAL CODE

	2021	2020	2019	2018	2017
PERCENTAGE CHANGE IN THE COMPENSATION OF THE CHAIR(MAN) OF THE SUPERVISORY BOARD[(1)]	**6.4%**	**28.7%**	**-2.7%**	**0.0%**	**32.4%**
Percentage change in the average compensation of employees	2.6%	2.9%	2.9%	1.6%	4.6%
Ratio versus average employee compensation	2.1	2.1	1.7	1.8	1.8
Percentage change in the ratio versus the previous year	0%	26.5%	-5.1%	-1.7%	26.2%
Ratio versus median employee compensation	2.8	2.7	2.1	2.3	2.3
Percentage change in the ratio versus the previous year	3.7%	26.8%	-5.3%	-2.6%	27.6%
PERCENTAGE CHANGE IN THE MANAGING CHAIRMAN'S COMPENSATION[(2)(3)(4)(5)]	**-6.5%**	**-37.6%**	**8.1%**	**15.0%**	**38.5%**
Percentage change in the average compensation of employees	2.6%	2.9%	2.9%	1.6%	4.6%
Ratio versus average employee compensation	42.9	47.1	77.6	73.8	65.3
Percentage change in the ratio versus the previous year	-8.9%	-39.3%	5.1%	13.2%	32.4%
Ratio versus median employee compensation	55.9	61.0	99.8	94.8	84.7
Percentage change in the ratio versus the previous year	-8.4%	-38.9%	5.3%	12.0%	33.6%
PERCENTAGE CHANGE IN THE GENERAL MANAGER'S COMPENSATION[(3)(4)(5)]	**28.6%**	**33.0%**	**69.6%**	**-**	**-**
Percentage change in the average compensation of employees	2.6%	2.9%	2.9%	1.6%	4.6%
Ratio versus average employee compensation	31.5	25.1	19.5	11.8	-
Percentage change in the ratio versus the previous year	25.5%	29.0%	64.8%	-	-
Ratio versus median employee compensation	41.0	32.6	25.0	15.2	-
Percentage change in the ratio versus the previous year	25.8%	30.2%	65.2%	-	-
COMPANY PERFORMANCE[(6)]					
Growth in segment operating income (SOI) (excluding currency effect)	-33.4%	6.5%	11.0%	5.6%	9.5%
Growth in sales (excluding currency effect)	-12.6%	7.8%	4.1%	6.2%	0.4%

(1) *The increase in the ratio in 2021 is solely attributable to the fact that the compensation paid in 2020 had been reduced in application of the attendance rules (absence of the Chairman at one Board meeting during that year).*
(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.*
(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) *In 2020 and 2021, the reference amount for variable compensation includes the book value of performance share rights awarded to the Managers for those years (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 the values taken into account for a given year correspond to the results achieved in the prior year.*

3.4.7 PROPOSED RESOLUTION ON THE DISCLOSURES MENTIONED IN ARTICLE L. 22-10-9-I OF THE FRENCH COMMERCIAL CODE

In accordance with the applicable laws and regulations, at the Ordinary Shareholders Meeting, the General Partners and the Supervisory Board will submit to shareholders the required disclosures concerning the compensation paid or awarded in 2021 to the corporate officers.

The resolution to be presented to the Annual Shareholders Meeting of May 13, 2022 concerning all the disclosures contained in sections 3.4.1 to 3.4.6, 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 I of the Code, as presented in the Corporate Governance Report set out in sections 3.4.1 to 3.4.6 of the Company's 2021 Universal Registration Document.

3.5 INDIVIDUAL COMPENSATION PAID OR AWARDED TO THE MANAGERS AND THE CHAIR(MAN) OF THE SUPERVISORY BOARD FOR 2021

In addition to the resolution presented in section 3.4.7 above, the Ordinary Shareholders Meeting will be asked to adopt the following individual resolutions concerning the Chair of the Supervisory Board and each of the Managers.

3.5.1 VOTE BY SHAREHOLDERS AT THE ORDINARY SHAREHOLDERS MEETING OF MAY 13, 2022 ON THE COMPENSATION PACKAGE OF BARBARA DALIBARD, CHAIR OF THE SUPERVISORY BOARD SINCE MAY 2021

This section presents the components of the compensation paid or awarded in 2021 to Barbara Dalibard in her capacity as member then Chair of the Supervisory Board.

Compensation components put to the vote	Amounts paid in 2021	Amounts awarded in respect of 2021	Presentation
Compensation as Supervisory Board member	€80,000.00	€91,153.00	**The amount paid in 2021:** ▶ was awarded in respect of 2020 out of the total annual compensation allocated to the Supervisory Board by the Ordinary Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast)(1). **The amount awarded in respect of 2021:** ▶ is included in the total annual amount decided by the Ordinary Shareholders Meeting of May 17, 2019; ▶ has been determined in accordance with the 2021 Compensation Policy for the members of the Supervisory Board, as described in the 2020 Universal Registration Document (section 3.3.3) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (7th resolution, adopted by a 99.84% 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.

(1) As Barbara Dalibard was elected Chair of the Supervisory Board after the Annual Shareholders Meeting of May 21, only the compensation of the Chairman in office until that meeting was presented for a vote.

At the Ordinary Shareholders Meeting of May 13, 2022, shareholders will be asked to approve the following ordinary resolution:

11th resolution

Approval of the components of the compensation paid or awarded to Barbara Dalibard for the year ended December 31, 2021

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, 2021 or awarded in respect of that year to Barbara Dalibard, Chair of the Supervisory Board from May 21, 2021, as set out in section 3.5.1 of the Company's 2021 Universal Registration Document.

3.5.2 VOTE BY SHAREHOLDERS AT THE ORDINARY SHAREHOLDERS MEETING OF MAY 13, 2022 ON THE COMPENSATION PACKAGE OF MICHEL ROLLIER, CHAIRMAN OF THE SUPERVISORY BOARD UNTIL MAY 2021

This section presents the components of the compensation paid or awarded to Michel Rollier for 2021 in his capacity as Chairman of the Supervisory Board until May 21, 2021.

Compensation components put to the vote	Amounts paid in 2021	Amounts awarded in respect of 2021	Presentation
Compensation as Supervisory Board member	€120,000.00	€47,975.00	**The amount paid in 2021:** ▶ was awarded in respect of 2020 out of the total annual compensation allocated to the Supervisory Board by the Ordinary Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast). **The amount awarded in respect of 2021:** ▶ is included in the total annual amount decided by the Ordinary Shareholders Meeting of May 17, 2019; ▶ has been determined in accordance with the 2021 Compensation Policy for the members of the Supervisory Board, as described in the 2020 Universal Registration Document (section 3.3.3) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (7th resolution, adopted by a 99.84% 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 Ordinary Shareholders Meeting of May 13, 2022, 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, 2021

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, 2021 or awarded in respect of that year to Michel Rollier, Chairman of the Supervisory Board until May 21, 2021, as set out in section 3.5.2 of the Company's 2021 Universal Registration Document.

3.5.3 VOTE BY SHAREHOLDERS AT THE ORDINARY SHAREHOLDERS MEETING OF MAY 13, 2022 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 2021 in his capacity as Managing Chairman.

Compensation components put to the vote	Amounts paid in 2021	Amounts awarded in respect of 2021 OR Provision set aside in 2021 OR Simulation	Presentation
Fixed compensation	€900,000.00	€900,000.00	The amount awarded in 2021: ▶ has remained unchanged since Florent Menegaux's election by the Annual Shareholders Meeting of May 18, 2018; ▶ was determined in accordance with the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.2) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast).
Annual variable compensation	€581,161.00	€1,350,000.00 (Amount that may be awarded in respect of **2021** in application of the 2021 Compensation Policy, payable in 2022)	**The amount paid in 2021:** ▶ was due for 2020 and 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 Ordinary Shareholders Meeting of May 21, 2021 (9th resolution, adopted by a 97.63% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.4.3.2 of the 2020 Universal Registration Document. **The amount awarded in respect of 2021:** ▶ was determined in accordance with the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.3) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.4.4.2 of this 2021 Universal Registration Document.

Compensation components put to the vote	Amounts paid in 2021	Amounts awarded in respect of 2021 OR Provision set aside in 2021 OR Simulation	Presentation
Deferred variable compensation	€180,000.00	N/A	**The amount paid in 2021:** ▶ was due for 2018 and was determined in accordance with the 2018 Compensation Policy, as described in the 2017 Registration Document (section 4.4.1 a) 2.2) and approved by the Ordinary Shareholders Meeting of May 17, 2019 (7th resolution, adopted by a 98.29% majority of the votes cast); ▶ is the subject of detailed disclosures in the 2018 Registration Document (section 4.4.5.b) and the 2020 Universal Registration Document (section 3.6.2.1).
Exceptional compensation	N/A	N/A	N/A
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	€727,106.88 (book value at December 31, 2021 – determined in accordance with IFRS 2 – of the 8,397 performance share rights awarded in November 2021)	This award was made in application of: ▶ the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.3) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% 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 3.4.4.3 of this 2021 Universal Registration Document.
Compensation as a Director/Supervisory Board member	N/A	N/A	N/A
Fringe benefits	€9,985.00	€9,985.00	Company car (accounting value)
Compensation for loss of office	No compensation paid	No compensation awarded	This component: ▶ is an integral part of the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.7) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2021 Universal Registration Document.
Non-compete indemnity	No indemnity paid	No indemnity awarded	This component: ▶ is an integral part of the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.8) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2021 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 2020 Universal Registration Document (section 3.3.2.6) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2021 Universal Registration Document.

N/A: Not applicable.

At the Ordinary Shareholders Meeting of May 13, 2022, 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, 2021

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, 2021 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 3.5.3 of the Company's 2021 Universal Registration Document.

3.5.4 VOTE BY SHAREHOLDERS AT THE ORDINARY SHAREHOLDERS 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 2021 in his capacity as General Manager.

Compensation components put to the vote	Amounts paid in 2021	Amounts awarded in respect of 2021 OR Provision set aside in 2021 OR Simulation	Presentation
Fixed compensation	€600,000.00	€600,000.00	The amount awarded in 2021: ▶ has remained unchanged since Yves Chapot's election by the Annual Shareholders Meeting of May 18, 2018; ▶ was determined in accordance with the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.2) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast).
Annual variable compensation	€516,900.00	€824,400.00 (Amount that may be awarded in respect of **2021** in application of the 2021 Compensation Policy, payable in 2022)	**The amount paid in 2021:** ▶ was due for 2020 and 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 Ordinary Shareholders Meeting of May 21, 2021 (10th resolution, adopted by a 96.13% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.4.4.2 of the 2020 Universal Registration Document. **The amount awarded in respect of 2021:** ▶ was determined in accordance with the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.3) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.4.5.2 of this 2021 Universal Registration Document.
Deferred variable compensation	€150,000.00	N/A	**The amount paid in 2021:** ▶ was due for 2018 and was determined in accordance with the 2018 Compensation Policy, as described in the 2017 Registration Document (section 4.4.1 a) 2.2) and approved in an ordinary resolution of the Annual Shareholders Meeting of May 17, 2019 (8th resolution, adopted by a 98.30% majority of the votes cast); ▶ is the subject of detailed disclosures in the 2018 Registration Document (section 4.4.7.b) and the 2020 Universal Registration Document (section 3.6.2.2).
Exceptional compensation	N/A	N/A	N/A

Compensation components put to the vote	Amounts paid in 2021	Amounts awarded in respect of 2021 OR Provision set aside in 2021 OR Simulation	Presentation
Stock options, performance shares and other long-term compensation (stock warrants, etc.)	N/A	€484,737.92 (book value at December 31, 2021 – determined in accordance with IFRS 2 – of the 5,598 performance share rights awarded in November 2021)	This award was made in application of: ▶ the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.3) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% 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 3.4.5.3 of this 2021 Universal Registration Document.
Compensation as a Director/Supervisory Board member	N/A	N/A	N/A
Fringe benefits	€9,757.00	€9,757.00	Company car (accounting value)
Compensation for loss of office	No compensation paid	No compensation awarded	This component: ▶ is an integral part of the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.7) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2021 Universal Registration Document.
Non-compete indemnity	No indemnity paid	No indemnity awarded	This component: ▶ is an integral part of the 2021 Compensation Policy, as described in the 2020 Universal Registration Document (section 3.3.2.8) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2021 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 2020 Universal Registration Document (section 3.3.2.6) and approved by the Ordinary Shareholders Meeting of May 21, 2021 (6th resolution, adopted by a 90.68% majority of the votes cast); ▶ is the subject of detailed disclosures in section 3.6.1.12 of this 2021 Universal Registration Document.

N/A: Not applicable.

At the Ordinary Shareholders Meeting of May 13, 2022, 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, 2021

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, 2021 or awarded in respect of that year to Yves Chapot, General Manager, as presented in the Corporate Governance Report set out in section 3.5.4 of the Company's 2021 Universal Registration Document.

3.6 OTHER INFORMATION ABOUT COMPENSATION OF THE EXECUTIVE OFFICERS

3.6.1 SUMMARY INFORMATION CONCERNING THE EXECUTIVE OFFICERS

The data and tables in this section:

- present the compensation of the corporate officers of the Company;
- 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, General Partner and Managing Chairman with unlimited personal liability for the Company's debts	2021	2020
Compensation awarded for the year	2,259,985.00	1,489,788.00
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	727,106.88(1)	673,051.63
Value of other long-term compensation plans	0	0
TOTAL	**2,987,091.88**	**2,162,839.63**
Reference CGEM consolidated net income	1,845,066,544.00	625,441,868.00

(1) Book value (IFRS 2) at December 31, 2021 of the performance share award described in section 3.4.4.3 of this 2021 Universal Registration Document.

Yves Chapot, General Manager	2021	2020
Compensation awarded for the year	1,434,157.00	1,126,544.00
Value of stock options granted during the year	0	0
Value of performance shares granted during the year	484,737.92(1)	448,701.09
Value of other long-term compensation plans	0	0
TOTAL	**1,918,894.92**	**1,575,245.09**

(1) Book value (IFRS 2) at December 31, 2021 of the performance share award described in section 3.4.5.3 of this 2021 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, General Partner and Managing Chairman with unlimited personal liability for the Company's debts	2021		2020	
	Awarded	**Paid**	**Awarded**	**Paid**
Fixed compensation[1]	900,000.00	900,000.00	900,000.00	843,750.00[2]
Annual variable compensation	1,350,000.00[3]	581,161.00	581,161.00[4]	1,038,759.43[2]
Exceptional compensation	0	0	0	0
Compensation as a Director/Supervisory Board member	0	0	0	0
Fringe benefit (car)	9,985.00	9,985.00	8,627.00	8,627.00
TOTAL	**2,259,985.00**	**1,491,146.00**	**1,489,788.00**	**1,891,136.43**
Reference CGEM consolidated net income	1,845,066,544.00	625,441,868.00	625,441,868.00	1,730,043,108.00

(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 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, subject to approval of the corresponding resolutions by CGEM shareholders at the Annual Meeting of May 13, 2022 (see section 3.5.3).
(4) Amount calculated based on the achievement rate for the applicable performance criteria and approved by CGEM shareholders at the Annual Shareholders Meeting of May 21, 2021.

3.6.1.3 Compensation paid and awarded to Yves Chapot *(in €)* (based on Table 2 in the AFEP/MEDEF Code)

	2021		2020	
Yves Chapot, General Manager	**Awarded**	**Paid**	**Awarded**	**Paid**
Fixed compensation	600,000.00	600,000.00	600,000.00	562,500.00[1]
Annual variable compensation	824,400.00[2]	516,900.00	516,900.00	348,776.14[1]
Exceptional compensation	0	0	0	0
Compensation as a Director/Supervisory Board member	0	0	0	0
Fringe benefit (car)	9,757.00	9,757.00	9,644.00	9,644.00
TOTAL	**1,434,157.00**	**1,126,657.00**	**1,126,544.00**	**920,920.14**

(1) After reductions decided due to the consequences of the Covid-19 crisis.
(2) 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 13, 2022 (see section 3.5.4).

3.6.1.4 Compensation received by the non-executive corporate officers (based on Table 3 in the AFEP/MEDEF Code)

Supervisory Board members	2021(1) Amount awarded (in €)	2021(1) Amount paid (in €)	2020(1) Amount awarded (in €)	2020(1) Amount paid (in €)
Barbara Dalibard(2)	91,153	80,000	80,000	90,000
Olivier Bazil(3)	N/A	35,500	35,500	80,000
Jean-Pierre Duprieu	71,963	62,500	62,500	60,000
Aruna Jayanthi	57,570	70,000	70,000	70,000
Anne-Sophie de La Bigne	71,963	65,000	65,000	71,250
Patrick de La Chevardière(4)	76,760	44,500	44,500	N/A
Jean-Christophe Laourde(5)	51,573	9,000	9,000	N/A
Thierry Le Hénaff	71,963	68,330	68,330	56,727
Monique Leroux	86,355	80,000	80,000	70,000
Cyrille Poughon(6)	N/A	47,250	47,250	60,000
Michel Rollier(7)	47,975	120,000	120,000	112,800
Delphine Roussy(5)	51,573	9,000	9,000	N/A
Wolf-Henning Scheider(8)	33,582	N/A	N/A	N/A
Jean-Michel Severino(9)	57,570	17,750	17,750	N/A
TOTAL	**770,000(10)**	**708,830(11)**	**708,830(11)**	**670,777**

(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) Chair of the Supervisory Board since May 2021.
(3) Supervisory Board member until June 2020.
(4) Supervisory Board member since June 2020.
(5) Supervisory Board member since December 2020.
(6) Supervisory Board member until October 2020.
(7) Chairman and member of the Supervisory Board until May 2021.
(8) Supervisory Board member since May 2021.
(9) Supervisory Board member since November 2020.
(10) The amounts awarded in respect of 2021 have been determined in application of the 2021 Supervisory Board Compensation Policy approved by the Ordinary Shareholders Meeting of May 21, 2021 (7th resolution adopted by a majority of 99.84% of the votes cast).
(11) The amounts paid in 2021 were awarded in respect of 2020 out of the total annual compensation of €770,000 decided by the Ordinary Shareholders Meeting of May 17, 2019 (12th resolution adopted by a majority of 99.15% of the votes cast).

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 2021.

	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)

13,995 of the 319,622 performance share rights given on November 17, 2021 pursuant to the authorization given at the June 23, 2020 Annual Shareholders Meeting were granted to the Managers and the Chair(man) of the Supervisory Board.

	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 15 of November 17, 2021	8,397	€727,106.88	November 17, 2025	November 17, 2025	Detailed information is provided in section 6.5.4.3 "Interim fulfillment of performance conditions under the November 17, 2021 performance share plan"
Yves Chapot	Plan 15 of November 17, 2021	5,598	€484,737.92	November 17, 2025	November 17, 2025	Detailed information is provided in section 6.5.4.3 "Interim fulfillment of performance conditions under the November 17, 2021 performance share plan"

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)

	Plan no. and date	Number of performance shares for which the lock-up period ended during the year	Vesting conditions
Florent Menegaux	Plan 8 (Excellence Management) dated November 14, 2017 (performance shares granted in his capacity as an employee of a Group company, prior to becoming a corporate officer)	5,314	Detailed information is provided in section 6.5.4.3 "Fulfillment of performance conditions under the November 14, 2017 performance share plan"
Yves Chapot	Plan 8 (Excellence Management) dated November 14, 2017 (performance shares granted in his capacity as an employee of a Group company, prior to becoming a corporate officer)	3,679	Detailed information is provided in section 6.5.4.3 "Fulfillment of performance conditions under the November 14, 2017 performance share plan"

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 6.5.3.1 below.

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 6.5.4.3 below.

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.

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 General Partner Start date of term of office: 2018 Expiration of term of office: 2026		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: 2026	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 3.3.2.7).

(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 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 3.3.2.8).
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 3.3.2.8).
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.

3.6.2 LONG-TERM INCENTIVE BONUSES AWARDED TO EXECUTIVE OFFICERS IN RESPECT OF PERIODS PRIOR TO 2021

3.6.2.1 Long-term incentive bonuses awarded to Florent Menegaux in respect of periods prior to 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 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	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 *(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
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 achievement rate will be 0%	If average annual growth in segment operating income is less than €100 million, the target will not be met

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)*
Actual indicator	▶ Growth in the Michelin share price[(2)] = 38.98% Growth in the CAC 40[(2)] = 29.95% The average engagement rate is 9.03%, giving an achievement rate of 6.6% out of 11% for this criterion	2019 = -0.5 pts 2020 = +0.1 pts 2021 = -2.5 pts The average engagement rate is -0.97 pts, giving an achievement rate of 1.50% out of 4% for this criterion	2019 = +1.0 pts 2020 = +2 pts 2021 = -2.0 pts The average engagement rate is 0.33 pts, giving an achievement rate of 0.67% out of 4% for this criterion	2019 = +€163 million 2020 = -€1,006 million 2021 = +€1,224 million The growth differential is €127 million, giving an achievement rate of 2.95% out of 11% for this criterion
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			
Amount due	€1,299,726[(3)]			
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 2021 compared to the average share price for the second half of 2018.*
(3) *By agreement between the General Partners, the amount is determined in accordance with the conditions decided in 2019, on the basis of 0.6% of the Group's 2022 consolidated net income.*

Based on the characteristics of this long-term incentive bonus and the aggregate bonus criteria achievement rate of 11.72% versus a maximum of 30% observed by the Compensation and Appointments Committee (see above table), the Supervisory Board noted that the gross long-term incentive bonus amounted to €1,299,726.00 (rounded, before withholding tax). This bonus will be payable in 2022 after the 2021 financial statements have been approved by the Ordinary Shareholders Meeting of May 13, 2022.

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.

3.6.2.2 Long-term incentive bonuses awarded to Yves Chapot in respect of periods prior to 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%
Actual indicator	Growth in the Michelin share price[2] = 38.98% Growth in the CAC 40[2] = 29.95% The average engagement rate is 9.03%, giving an achievement rate of 21.07% out of 35% for this criterion	2019 = -0.5 pts 2020 = +0.1 pts 2021 = -2.5 pts The average engagement rate is -0.97%, giving an achievement rate of 5.00% out of 15% for this criterion	2019 = +1.0 pts 2020 = +2 pts 2021 = -2.0 pts The average engagement rate is 0.33%, giving an achievement rate of 2.50% out of 15% for this criterion	2019 = +€163 million 2020 = -€1,006 million 2021 = +€1,224 million The growth differential is €127 million, giving an achievement rate of 9.39% out of 35% for this criterion

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)*
Base amount	€600,000.00 (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			
Amount due	€227,774 (rounded)			

(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 2021 compared to the average share price for the second half of 2018.*

Based on the characteristics of this long-term incentive bonus and the aggregate bonus achievement rate of 37.96% versus a maximum of 100% observed by the Compensation and Appointments Committee (see above table), the Supervisory Board noted that the gross long-term incentive bonus amounted to €227,774.00 (rounded, before withholding tax). This bonus will be payable in 2022 after the 2021 financial statements have been approved by the Ordinary Shareholders Meeting of May 13, 2022.

3.7 TOTAL COMPENSATION AWARDED TO THE GROUP EXECUTIVE COMMITTEE

In 2021, the members of the Group Executive Committee (excluding the Managers) received aggregate gross compensation of €7,584,025.00 (including €1,383,598.00 corresponding to the variable component for 2020 paid during the first half of 2021). In 2020, the aggregate gross compensation received by Group Executive Committee members totaled €5,324,236.00 (including €1,566,295.00 corresponding to the variable component for 2019 paid during the first half of 2020). 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 AND THEIR CLOSE RELATIVES IN 2021

Managers

Florent Menegaux

5,314 performance shares received without consideration on November 14, 2021 (performance shares granted in 2017 in his capacity as an employee of a Group company, prior to becoming a corporate officer).

Yves Chapot

3,679 performance shares received without consideration on November 14, 2021 (performance shares granted in 2017 in his capacity as an employee of a Group company, prior to becoming a corporate officer).

Supervisory Board

Delphine Roussy

72 shares acquired on November 14, 2021 without consideration under the performance share plan.

Wolf-Henning Scheider

400 shares acquired on March 24, 2021 at a unit price of €124.50.

Jean-Michel Severino

400 shares acquired on January 25, 2021 at a unit price of €110.65.

To the best of the Company's knowledge, no other transactions in the Company's shares were carried out by the Managers, Supervisory Board members or their close relatives during the year.

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 Vincent Montagne (see the presentation and role of this company, section 3.1.2).

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 partitipation)* 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 FISCAL 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 (ARTICLES 12 AND 30 OF THE BYLAWS)

Allocation to the General Partners of a share of net income (the Profit Share) calculated as follows:

- the portion of the Profit Share attributable to the Managing General Partner(s) is determined by reference to the objectives set in advance by the Supervisory Board;
- the portion attributable to the Non-Managing General Partner is equal to the portion attributable to the Managing General Partner(s) in respect of his/her/their annual variable compensation or in any other form whatsoever (including in performance shares).

In all cases, the total Profit Share due to the General Partners is capped at 0.6% of consolidated net income for the year.

Net income 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 income remaining after the 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 income 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.

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.

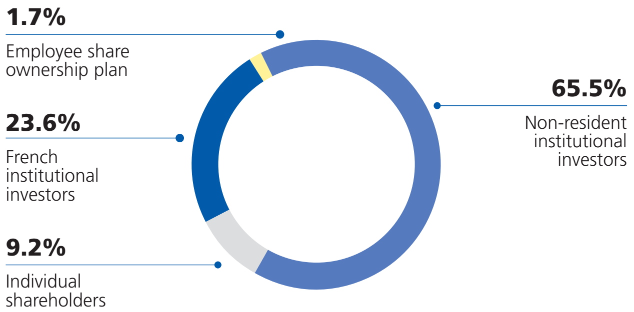
Further information is provided on the Company's website www.michelin.com.

3.11 OWNERSHIP STRUCTURE AND VOTING RIGHTS

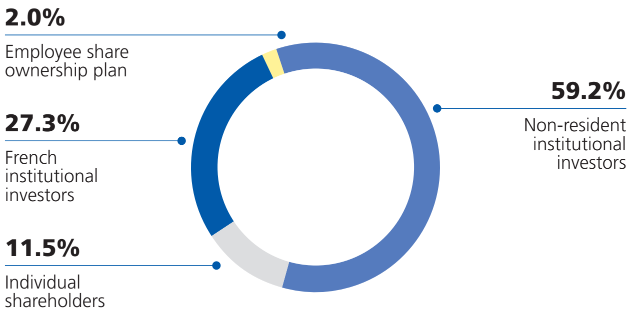
At December 31, 2021:

- share capital: €357,060,900;
- shares outstanding: 178,530,450 all fully paid up;
- voting rights outstanding: 238,147,046.

SHARE OWNERSHIP
(at December 31, 2021)



VOTING RIGHTS
(at December 31, 2021)



At December 31, 2021, 178,530,450 shares were held by the public, corresponding to 100% of the voting rights.

As of December 31, 2021, to the best of the Company's knowledge:

- BlackRock Inc. held 4.99% of the share capital and 3.76% of the voting rights;
- Mage Invest held 4.22% of the share capital and 6.24% 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 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 €145(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)	▶ €9.13 billion (ordinary 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)	€5.80 billion	€80 million	None

(1) CGEM share price at December 31, 2021, 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 €145(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)	▶ €2.54 billion (ordinary 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)	▶ €2.54 billion (ordinary 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)	€2.54 billion	€35 million(5)	None

(1) CGEM share price at December 31, 2021, 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 the Managers and the Chair(man) of the Supervisory Board

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	None
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 purchase price: €180	Buyback of 8,032 shares(1)
Share cancellations	24th	24 months (June 2022)	10% of the current capital	None

(1) See section 6.5.6.

3.12.2 GRANTED BY THE ANNUAL SHAREHOLDERS MEETING OF MAY 21, 2021

Share buyback program

Corporate action	Resolution	Duration (expiration date)	Limitations	Utilization during the year
Share buyback program	5th	24 months (May 2023)	▸ Statutory limit of 10% of issued capital ▸ Maximum purchase price: €180	None
Share cancellations	14th	18 months (November 2022)	10% of issued capital	None

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.*

+

As the world leader in sustainable and connected tires, we support emerging mobility trends through increasingly safe, efficient and long-lasting solutions.

04

NON-FINANCIAL PERFORMANCE

METHODOLOGY

SDG 12.6

DEFINITION OF CONTENT AND SCOPE OF REPORTING

The Michelin Group consists of Compagnie Générale des Etablissements Michelin (CGEM), 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 therefore complies first and foremost with the provisions of the French Commercial Code (*Code de commerce*), which in its Articles L. 225-102-1 and L. 22-10-36 requires every company that is publicly traded in France (or which has an average of more than 500 employees under permanent work contracts and (i) more than €20 million in total assets or (ii) more than €40 million in annual net revenue) to include in its management report a non-financial 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 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 Chapter 1 above and the Sustainable Development and Mobility Report below. In particular, this report has been prepared in accordance with the **Core Option** for GRI **compliance reporting**(1) (see the concordance tables on page 476 below) and the **Sustainability Accounting Standards Board's** Auto Parts standard, on page 483. In addition, since 2018, the Michelin Group has been gradually applying the guidelines of the **TCFD** (Recommendations of the Task Force on Climate-related Financial Disclosures) report of June 29, 2017, see page 222.

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, 2021.

INDICATORS

Based on the ambitious new objectives and targets set for 2030, certain key performance indicators have been defined. For comparative purposes, historical data for these new indicators are presented over the past two years.

For the other key indicators, which have not changed, performance data are still reported over the past five years.

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, L. 22-10-36 and R. 225-105 *et seq*. 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., **79.53%** of all employees on payroll, versus 74.6% in 2020. **This corresponds to the scope of reporting in the Group's human resources management software** or what was previously referred to as the "Ambitions 2020" scope. The significant increase in the percentage of the workforce covered by reported data attests to the progress made in the management of employee information. Unless otherwise specified, these data concern employees under all types of work contracts, except interns, apprentices and work-study trainees.

A summary table of 2021 employee data is presented in section 4.1.5.

The annual Moving Forward Together[(2)] employee engagement survey is conducted in the One Michelin scope of reporting, which includes all the companies in the management scope of reporting plus any subsidiaries that have been owned by the Michelin Group for more than two years[(3)].

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

ISO 45001: 2018 Occupational health and safety management systems.

- 9 *certified facilities*[(4)].

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.

Environmental indicators

The environmental impact of Michelin facilities

Since 2021, the **industrial - Michelin Environmental Performance indicator (i-MEP)** has replaced the previous MEF indicator, which enabled Michelin to manage and demonstrate the steady reduction in its environmental impact from 2005 to 2020. The change was prompted by the progress made over that period. The new indicator was defined to reflect the following main factors:

- the progress made since 2005: landfilled waste is no longer tracked;
- changes in certain areas, such as the increased use of renewable energies;
- alignment with the Group's objectives: volatile organic compound (VOC) use is now measured.

In this way, the **i-MEP** will improve tracking of the sustained progress the Group hopes to drive over the 2021-2030 period. The base year is 2019, which was deemed more representative than 2020 due to the impact of the health crisis.

The new indicator is calculated based on data for each of the five components expressed in units per tonne of semi-finished and finished product output. As a result, its ratios are not comparable to the ratios used during the MEF period (2005-2020), which were based solely on finished product output. This change means that the indicator now more accurately reflects the diversity of the Group's manufacturing operations.

Basic components and weighting of **i-MEP:**

i-MEP INDUSTRIAL
Michelin Environmental Performance

Components	Weighting
Energy use	20
CO_2 emissions	20
Organic solvent use	20
Water withdrawals x water stress	20
Amount of waste generated	20

(1) Ares, Air Captif, BlackCircle, Camso, CVB, Euromaster, Eurowheel, Fenner, Ihle, Klinge, Lehigh, Masternaut, Mon Tour en France, Multistrada, Nextraq, Oliver Rubber, PTG, Rodaco, Sascar, Seva, Tablet, Teleflow, Tplus, Tyredating and Wine Advocate.

(2) Also referred to as the MFT survey.

(3) Historical data have all been restated to ensure that inter-year comparisons are meaningful.

(4) The number of certified facilities is steadily increasing, in line with customer expectations and standards.

Methodological note

The formula for calculating the i-MEF is as follows. By definition, the 2019 Group i-MEP is equal to 100 (2020 was deemed to be less representative due to the impact of the health crisis).

i-MEP INDUSTRIAL
Michelin Environmental Performance

$$\text{i-MEP} = \frac{\text{Reporting year energy use (GJ/t of SF + FP)} \times 20}{\text{Group energy use 2019 (GJ/t of SF + FP)}} + \frac{\text{Reporting year water stress} \times \text{water withdrawals (cu.m/t of SF + FP)} \times 20}{\text{Group water stress} \times \text{water withdrawals 2019 (cu.m/t of SF + FP)}} + \frac{\text{Reporting year waste generated (kg/t of SF + FP)} \times 20}{\text{Group waste generated 2019 (kg/t of SF + FP)}} + \frac{\text{Reporting year } CO_2 \text{ emissions (t/t of SF + FP)} \times 20}{\text{Group } CO_2 \text{ emissions 2019 (t/t of SF + FP)}} + \frac{\text{Reporting year organic solvent use (kg/t of SF + FP)} \times 20}{\text{Group organic solvent use 2019 (kg/t of SF + FP)}}$$

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 2021, the scope of i-MEP reporting covered 77 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 i-MEF data after completing a one-year break-in period. 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. In 2021, two new plants were added to the scope (Cilegon in Indonesia and Mesquite in Mexico) and three were removed following their closure (La Roche-sur-Yon in France, Dundee in the United Kingdom and Bamberg in Germany).

Recently acquired businesses are gradually integrated into the Group indicator through a process based primarily on aligning and consolidating their data. Using this process, data from CAMSO's operations were aligned and consolidated in 2021, resulting in an impact estimated at 3% of the Group's i-MEP components. To validate these contributions, the same data will be reported on a parallel track in 2022. Also in 2022, Fenner's operations will be reviewed according to a similar alignment and consolidation process.

Certifications

ISO 14001: 2015 Environmental management systems.

- *93.3% of production facilities have been certified, covering 98.6% 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 i-MEF scope of reporting.*

The Group's carbon footprint

Since 2014, Michelin has used the CDP Climate Change questionnaire to disclose its annual CO_2 emissions in the three scopes defined in the core Greenhouse Gas Protocol documents: *"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 1: emissions from fixed or mobile sources that are owned or controlled by the Company;
- Scope 2: emissions from the generation of purchased electricity, heating, cooling and steam consumed by the Company;
- 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 activity categories, of which 12 correspond to the Group's value chain. Of these, 11 are required in public reporting, and one is optional. The latter concerns emissions from the use of sold products[3] that indirectly consume fuel or electricity, such as tires. Reported data cover total expected lifetime CO_2 emissions from the use of relevant products sold in the reporting year by companies controlled by the Michelin Group, as defined in the financial consolidation principles.

In accordance with the GHG Protocol, Scope 1, 2 and 3 inventory is calculated for an overall base corresponding to the Group's consolidated financial reporting, with the calculations for each Scope based on GHG Protocol methodologies and guidelines. The salient methodological points are as follows:

- Scopes 1 and 2: Calculations are based on primary data from the facilities' energy bills and standardized CO_2 emission factors. The method of calculation is documented in an internal standards manual. Results are issued as part of the i-MEP indicator tracking process. Emissions excluded from inventory data account for less than 5% of Scope 1 and Scope 2 greenhouse gas emissions;

(1) World Business Council for Sustainable Development and World Resources Institute.
(2) World Resources Institute and World Business Council for Sustainable Development, September 2011.
(3) Examples include apparel (requires washing and drying), food (requires cooking and refrigeration), and soaps and detergents (require heated water).

- Scope 3: Calculations are based on secondary data, assumptions made in the absence of certain data, and current state-of-the-art CO_2 emission factors found in the main databases (e.g., www.ecoinvent.org). The method of calculation is documented in an internal standards manual. Because it is difficult to obtain reliable primary data outside the boundaries of operational control, the estimated uncertainty of the results ranges from ±10% to ±30%, depending on the activity category. Data in the categories subject to a CO_2 emissions reduction target are updated annually. Overall Scope 3 emissions data, including all 12 of the relevant corporate value chain activities (out of 15), are updated periodically. They 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 fifteenth consecutive year, Michelin's CSR data were reviewed by PricewaterhouseCoopers Audit, the Statutory Auditors designated as an independent third party. In 2021, for the third 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 Statement. Following the review, PricewaterhouseCoopers Audit issued a report attesting to the presence, fairness and compliance 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 the Group does to fulfill its purpose of “offering everyone a better way forward.” In particular, it ensures that all of the improvement objectives and targets are addressed at every stage in the definition and deployment of the Group’s strategy.

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 (CDG)

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, Purchasing, Finance, Information Systems, Internal Control, Audit and Quality, Strategy, Supply Chain, Corporate and Business Services, China Region and North America Region.

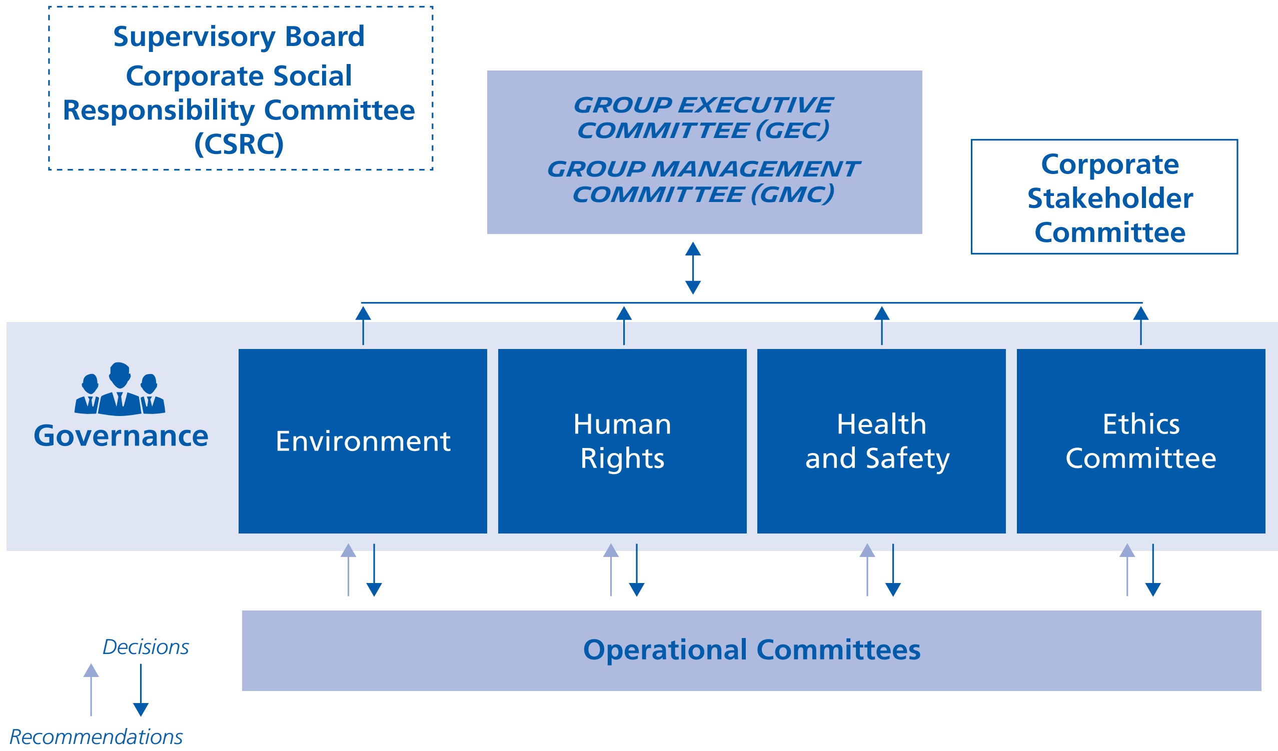
Led by the Corporate Vice President, Sustainable Development and Mobility, these sessions verify that steady progress is being made towards the Ambitions targets and validate the strategic objectives of the Ethics Committee and the Environment, Human Rights and Employee Health & Safety governance bodies, including the management of the Group's non-financial risks and their internal control.

A CSR Supervisory Board committee

In 2020, the CGEM 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 and recommendations and Manager decisions in this area.

The membership, responsibilities, procedures and deliberations of the CSR Committee in 2021 are presented 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 reviewed pursuant to the revised European prospectus directive, some of the main CSR risk factors identified by the Group are not covered 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

As part of its social responsibility commitment, the Group has plotted a materiality matrix. This exercise has helped to strengthen the robustness and relevance of the main identified issues and to enhance the Group's overall risk management process.

The various risk factors are now reviewed from a **double materiality** perspective, so that their impacts on the Group and on outside stakeholders are assessed symmetrically.

The materiality matrix serves as a frame of reference in identifying the main CSR risks that structure this Non-Financial Statement.

The new materiality matrix presented below is based on the findings of a survey conducted by an outside consulting firm in 2021. It involved outside stakeholders and Michelin employees in six countries (Brazil, China, the United States, France, Germany and India) representative of the Group's operations. The process involved four phases:

- inventorying the key CSR issues;
- defining the methodology and identifying stakeholders;
- surveying the stakeholders;
- building the materiality matrix.

The issues were selected 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.

In addition to a survey of some 120 Michelin employees, 41 interviews were conducted remotely or in person with a variety of Group stakeholders, including investors, suppliers, union representatives, industry associations, customers, business partners, legislators and academics.

The 2021 materiality matrix plots **the Group's 27 core CSR issues**, including seven new ones added during the year (attracting and retaining talent, managing labor relations, data protection, eco-designing products and services, end-of-life products, responding to environmental damage, and sustainable sourcing and responsible supplier relations).

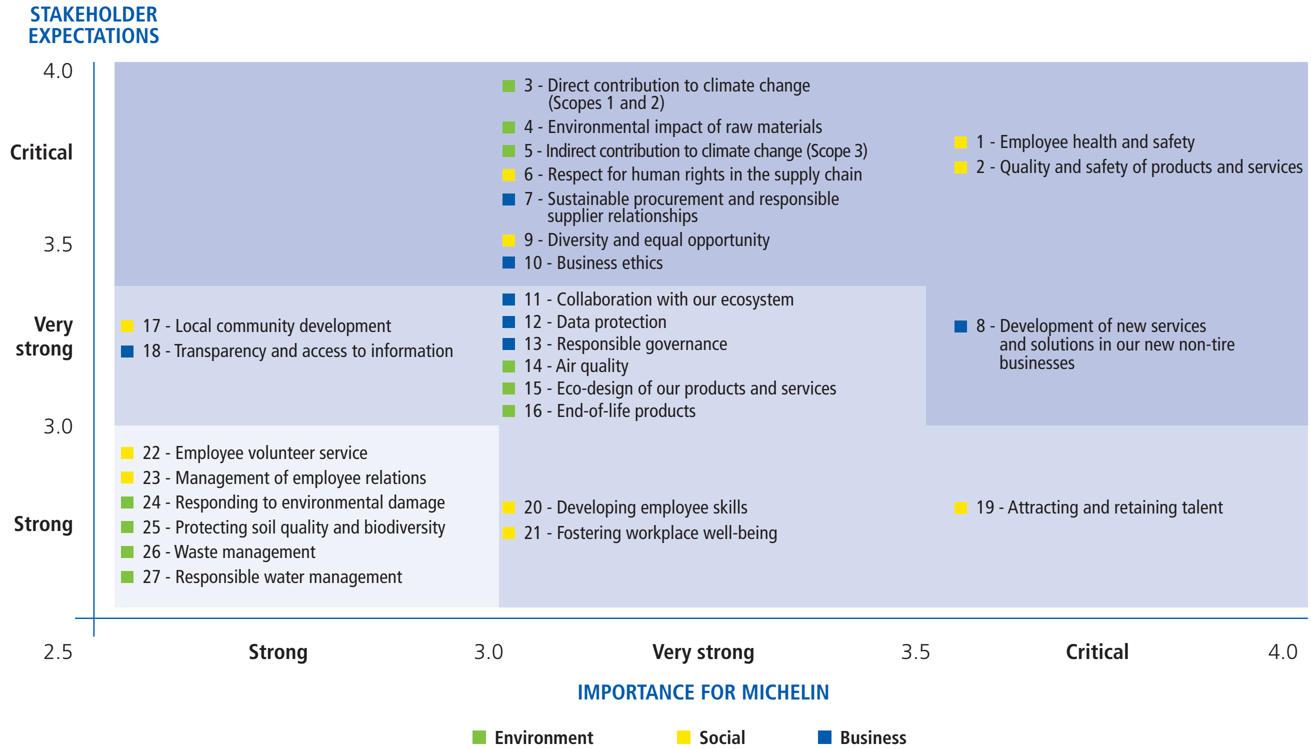
The new matrix has revealed:

- a general convergence among outside stakeholders and Michelin Group employees concerning the relative importance of the issues;
- support for the 3P (People, Profit, Planet) approach, with both internal and external stakeholders expecting the Michelin Group to address every aspect of sustainable development.

Taking a more detailed look, the matrix highlights the importance of:

- carbon emissions, in environmental issues;
- an employee-focused approach (health, safety, diversity and inclusion, and improved talent retention), in labor relations issues;
- ethics and product quality, in business issues.

MATERIALITY MATRIX



Of these 27 issues, the Group initially selected the **10** most critical (shaded in darker blue in the matrix). These issues were then expressed as risks.

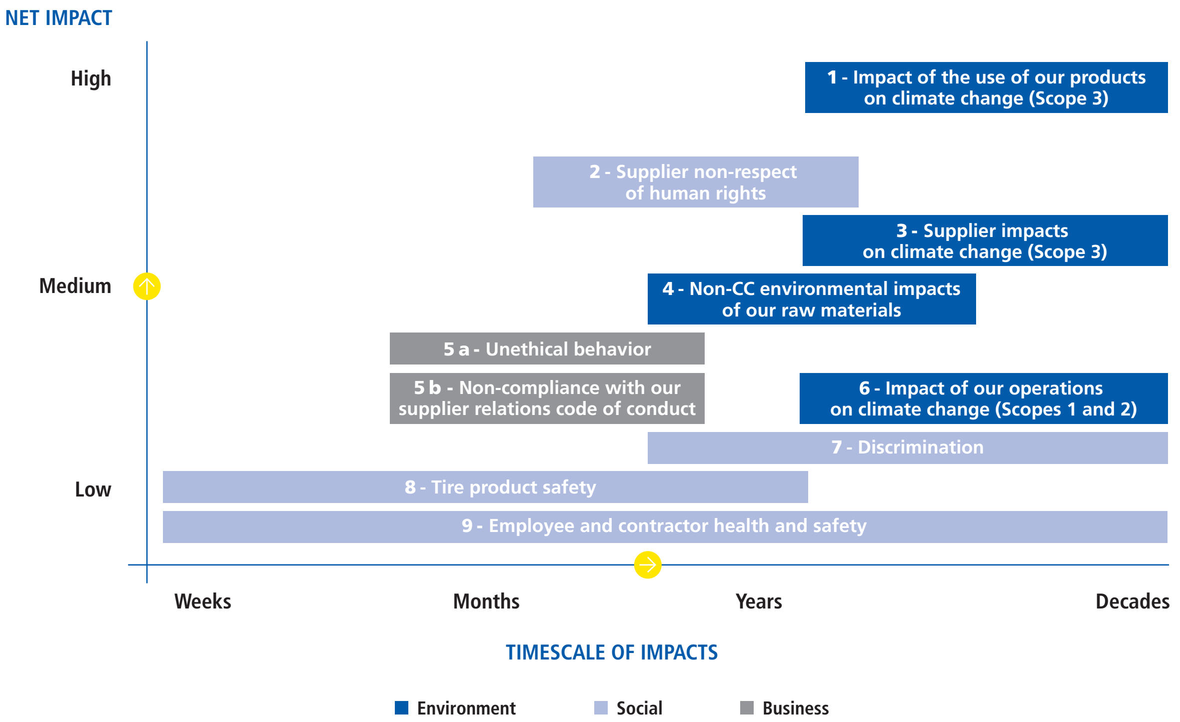
The **new non-financial risk map** plots the risks according to their impact timeframe and their net impact **on outside stakeholders**.

The risks and their remediation plans are discussed below in the following sub-sections:

- ethics and compliance;
- human rights;
- employee health and safety;
- the environment.

Note that, given its specific features and impact on the Group, the "tire product safety" risk is also addressed in Chapter 2[(1)].

(1) *See Chapter 2.*



Materiality matrix issue	Risks identified in the CSR map	Concordance
1 – Employee health and safety	9 – Employee and contractor health and safety	4.1.3 Employee health and safety
2 – Quality and safety of products and services	8 – Tire product safety	4.1.1.3 Guaranteeing the quality of our products and services
3 – Direct contribution to climate change (Scopes 1 & 2)	6 – Climate change impact of our Scope 1 & 2 operations	4.1.4.1 a) Transition plan: decarbonizing our operations/Scopes 1 & 2: reaching net zero emissions in the manufacturing operations by 2050
4 – Environmental impact of raw materials	4 – Non-climate change-related impact of our raw materials on the environment	4.1.4.2 Enhancing the circularity of our products
5 – Indirect contribution to climate change (Scope 3)	3 – Climate change impact of our suppliers (Scope 3)	4.1.4.1 a) Transition plan: decarbonizing our operations Scope 3: aiming for carbon neutrality in the supply chain with raw materials and components vendors Scope 3: reducing emissions from our logistics operations
	1 – Climate change impacts from the use of our products (Scope 3)	4.1.4.1 b) Transition plan: company strategy /Opportunities and risks/Designing ultra-energy efficient products
6 – Respect for human rights in the supply chain	2 – Supplier failure to respect human rights	4.1.1.2 Demonstrating our CSR commitments through responsible procurement policies
7 – Sustainable sourcing and responsible supplier relations	5b – Non-compliance with our Supplier Relations Code of Conduct	4.1.1.2 Demonstrating our CSR commitments through responsible procurement policies
8 – Developing products and services beyond tires	Strategic risk addressed in section 2	2.1 Risk factors specific to Michelin, description and related management systems/Risk 6: M&A and major projects
9 – Diversity and equal opportunity	7 – Discrimination	4.1.2.2 Instilling an inclusive culture of diversity and preventing discrimination
10 – Business ethics	5a – Ethical violations	4.1.1.1 Ensuring ethical business practices

Indicators

At the 2021 Capital Markets Day, Michelin presented its 12 ambitious, measurable objectives for 2030, known as Ambitions(1) and structured around the 3Ps (People, Profit and Planet).

To support continuous improvement in its performance, **eight** of these **categories relate to non-financial aspects (see Chapter 1)**.

Managed on an annual basis, these objectives are enabling the Group to drive continuous improvement in all 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.

Non-Financial Statement: Michelin, a recognized All Sustainable approach

A wide variety of indices, labels and ratings regularly assess the Group.

To assess its environmental, social and governmental (ESG) performance as objectively as possible, the Michelin Group tracks the ratings and scores assigned to it by the leading internationally recognized non-financial rating agencies.

SUSTAINALYTICS	MSCI	CDP	ECOVADIS	ISS-OEKOM	VIGEO EIRIS
LOW RISK	AAA	A and B	Platinum	B-	73/100

A
CLIMATE CHANGE
Leadership

B
WATER SECURITY
Management

PLATINUM Top 1%
2021
ecovadis
Sustainability Rating

Corporate Responsibility
Prime
rated by
ISS-oekom

Their 2021 ratings attest to the progress made by the Group.

- SUSTAINALYTICS (ESG RISK RATING): Michelin **improved its overall rating** from 15.2 to 12.5 taking it from 11th to 9th place in the global Automotive components industry;
- MSCI: MSCI upgraded Michelin's rating to the maximum AAA, recognizing the Group as **best-in-class in the Automotive industry** for its robust approach to managing product quality and environmental performance;
- CDP: In 2021, the CDP, an independent non-financial rating organization, awarded Michelin a score of A based on its assessment that the Group had demonstrated exceptional leadership in tackling the challenges of climate change. The rating recognizes the quality of the Group's governance, its long-term strategy and its results. The CDP has recognized the Michelin Group as a leader in engaging its suppliers in reducing CO_2 emissions by designating it CDP **Supplier Engagement Leader 2021**;
- ECOVADIS: Michelin retained its 78/100 score, along with its Platinum Medal rating for its CSR commitment and leadership (awarded to the top 1% of rated companies);
- ISS ESG: Michelin retained its B- rating and PRIME status, thereby continuing to rank in **the top decile across all the rated industries**;
- VIGEO EIRIS: Michelin was once again awarded the highest A1+ ESG Rating by Vigeo Eiris (Moody's), with a **five-point improvement in its overall score**, to 73/100. This ranked the Group at the top of the 39 companies assessed in the Automotive sector. According to Vigeo Eiris, Michelin "demonstrates an advanced commitment and ability to integrate ESG factors into its strategy, operations and risk management". The Group also earned a score of 100/100 for the rating's "Environmental strategy" aspects.

Michelin has also maintained its presence 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 (Chapter 4), the Growth and Value Creation Model presented in Chapter 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/.

Since 2020, Michelin has participated in a working group on the UN SDGs with all the member companies of the Tire Industry Project (TIP), which accounts for more than 60% of the world's tire production. In 2021, a roadmap identifying the tire industry's main impacts, along with the levers for action that member companies can activate across their value chain, was issued to align their contribution with the framework offered by the UN SDGs.

(1) See Chapter 1.

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				seen *Michelin.com*		4.1.2.5
3 GOOD HEALTH AND WELL-BEING	4.1.1.3	4.1.3		4.1.1.3	4.1.4.4	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 a, b				4.1.2.5 c, d
6 CLEAN WATER AND SANITATION					4.1.4.4 f	
7 AFFORDABLE AND CLEAN ENERGY					4.1.4.4 c	
8 DECENT WORK AND ECONOMIC GROWTH		4.1.2.1 4.1.2.2 b	*Chapitre 5*	4.1.4.2	4.1.4.3	4.1.2.5 b
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE				4.1.4.2	4.1.4.4	4.1.2.5
10 REDUCED INEQUALITIES		4.1.2.2				4.1.2.5 c, d
11 SUSTAINABLE CITIES AND COMMUNITIES				4.1.1.4		4.1.2.5 d
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	4.1.4.2 d			4.1.4.2 c	4.1.4.4 e	
13 CLIMATE ACTION				4.1.4.1 b	4.1.4.4 c 4.1.4.1.a	
14 LIFE BELOW WATER					4.1.4.4 f	
15 LIFE ON LAND					4.1.1.2 c 4.1.4.3 4.1.4.4	4.1.2.5 c, d, e, f
16 PEACE, JUSTICE AND STRONG INSTITUTIONS					4.1.1.1 b	
17 PARTNERSHIPS FOR THE GOALS		4.1.2.1 a			4.1.2.5 g	

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 Group has set up a dedicated organization to address ethical and compliance issues.

Organization

The Group Ethics Committee is chaired by the General Manager, who also represents the Corporate Finance Department. It also includes eight other standing members representing the Customer Experience Operational Department, the Sustainable Development and Mobility Department, the Corporate Internal Audit, Risk Management, Internal Control and Quality Department, the Purchasing Operational Department, the Corporate Legal Department (with two representatives, the Group General Counsel and the Chief Compliance Officer), the Corporate Information Systems Security, Safety & Security and Environment Department, and the Corporate Personnel Department.

The Ethics Committee meets at least four times a year, with the remit to:

- promote a culture of ethics and compliance throughout the Group and in its relations with third parties;
- define the Group's ethics and compliance strategy and its effective, consistent deployment in the regional organizations and every Group member company;
- approve the Group's anti-corruption compliance program, the resulting key procedures and the initiatives required to drive continuous improvement across the program.

The corporate organization is supported by a local organization structured around Ethics Committees in each Region chaired by the Regional Presidents (each responsible for managing local ethical risks) and a global network of ten Ethics Correspondents tasked with instilling the values and principles of the Code of Ethics, deploying training initiatives and ensuring the proper application of the procedures. The Ethics Correspondents work closely with the Regional General Counsels, while also meeting together regularly to support effective deployment of the anti-corruption compliance program in the regional organizations.

In 2021, a **Chief Compliance Officer** was appointed to prevent and manage risks of non-compliance in such areas as corruption and influence peddling, competition rules, privacy and personal data, the environment, ethics, harassment and fraud.

4.1.1.1 Ensuring ethical business practices SDG 16.5

Risk of ethics violations

Michelin pays particular attention to the risk of ethics violations and expects every employee to act consistently with integrity, 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 constitute an ethics violation.

Note that the Ethics risk family includes a risk factor specifically addressing the social responsibility of Group suppliers (see section 4.1.1.2).

4.1.1.1 a) Establishing a global ethical framework

Code of Ethics

The Group's ethical standards are expressed in **the Michelin Code of Ethics**, which applies to all Group employees without exception, as well as to people working on Group sites or on behalf of a Group entity. Initially published in 2010 and updated in 2014 and 2020, the Code of Ethics was reviewed and expanded in 2021, in particular to strengthen the Group's commitments in areas like human rights and the environment, while responding more effectively to employee questions and making the Code easier to read.

Specifically, the new Code of Ethics:

- reiterates the Group's values and fundamental guiding principles;
- tells employees how to respond to the most frequently encountered situations;
- clearly expresses the behaviors to adopt in line with Group values and procedures ("*Dos/Don'ts*" section);
- deals with more complex situations and explains the course of action to be taken ("*Practical Cases*" section);
- provides a list of experts to consult in case of doubts ("*Whom to contact*" section);
- proposes a list of additional documents to explore issues in more depth ("*References*" section).

The principles of the Code of Ethics are described in four categories: "*At Work*," "*Doing Business*," "*External Interactions*" and "*My Work and the Environment*." They cover 25 issues, some of which are addressed by specific procedures presented elsewhere. Personal data protection, for example, is covered by more detailed guidelines in the Group Personal Data Protection Directive and its supporting documents.

Now subtitled "**Acting Ethically Every Day**," the Code of Ethics is prefaced by a statement from the Managers emphasizing the Group's commitment to ethics, which is based on the ethical behavior of each employee, acting as an "ambassador of Michelin's values." Translated into 21 languages, the Code can be downloaded from the Group's intranet sites and a dedicated website (https://ethics.michelin.com). An easier to read digital format is also available in twelve languages, with versions in the other Group languages being finalized.

Deployment of the revised 2021 Code of Ethics was supported by dedicated e-learning modules, videos and events organized both by the Group and by the regional organizations in their member countries.

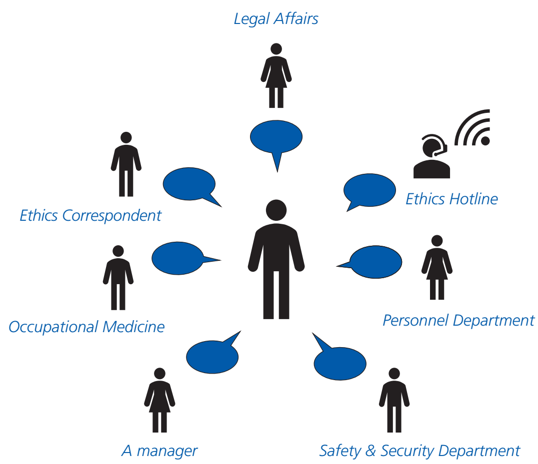
Compliance control

Compliance with the rules of conduct in the Code of Ethics is ensured through the application of internal procedures and verified during internal control and audit assignments.

Alert mechanisms and procedures

Since 2021, a single Group-wide whistleblowing system has been deployed in every Group entity, replacing the regional alert mechanisms that had been in place since 2005. Available in thirty languages, the system may be accessed by Group employees, contractor employees and temporary workers, as well as by customers, suppliers, service providers and other outside stakeholders via a hotline and a secure website hosted by an independent company. The system allows whistleblowers to anonymously and confidentially report any behavior, practice or situation that allegedly violates applicable laws, internal procedures or the Group's values and principles as set out in the Code of Ethics. As stated in the Code, possible violations may also be reported through traditional channels, such as the Personnel Department, the Safety & Security Department, the Legal Department, a manager, the occupational physician or a regional Ethics Correspondent. All of the reports are consolidated in the Group's alert hotline and regularly presented to the Corporate Ethics Committee.

ALERT MECHANISM STAKEHOLDERS



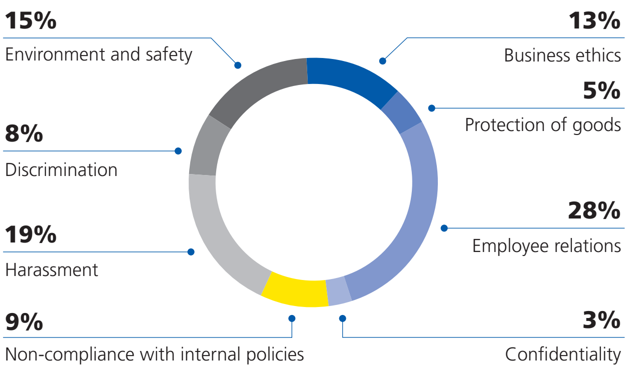
Reported alerts are analyzed according to the Group-wide procedures defined by the Corporate Information Systems Security, Safety & Security and Environment Department. Based on the reported information, the Department decides whether to conduct internal investigations, which may subsequently, if the alleged violations are substantiated, lead to action plans with remedial measures and/or disciplinary sanctions up to and including dismissal. The regional Ethics Committees apply the internal procedures in their geographical scope of operations.

In 2021, a total of 1,226 cases of alleged non-compliance[1] were reported across the Group, but not all of them were substantiated. Of the total, 28% were unfounded, 8% lacked sufficient information for an investigation to be launched and 32% resulted in remedial and disciplinary measures including dismissals[2]. None of these cases had a material impact on the Group.

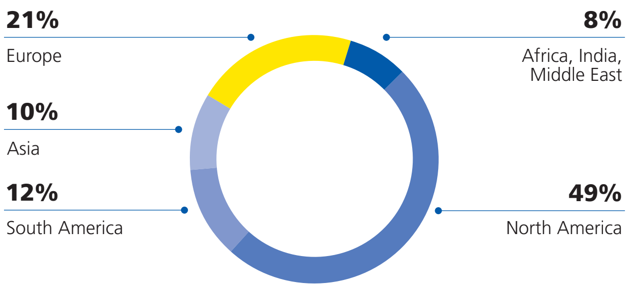
(1) Scope: Group personnel. Alerts reported at year-end could still be in process.

(2) Of the total, 1% were duplicates. Among the cases resulting in remedial and disciplinary action, some concerned situations where non-compliance was not substantiated, but which were still addressed with measures to improve control procedures or internal processes.

CASES BY ISSUE



CASES BY REGION



4.1.1.1 b) Taking a firm stand against corruption

Attesting to the Group's commitment to deploying a policy of zero tolerance for any form of corruption, a clear, practical Anti-Corruption Code of Practice was issued to all employees and outside partners in 2015 and updated in 2020.

The Code is designed to raise employee awareness of actions that could be construed as bribery or corruption, by providing examples and indicating the course of action when confronted with such events or situations. In particular, it deals with such issues as bribes, kickbacks and payoffs, the use of agents and brokers, payments for favors or other inducements, charitable or political contributions, gifts and invitations.

The 2021 Code of Ethics reaffirms the principles that should govern the decisions of any employee confronted with a situation that could be construed as corruption.

During the year, Michelin continued to improve its **anti-corruption compliance program** by:

- reiterating the commitment of senior management in the 2021 Code of Ethics;
- developing a specific Group-level corruption risk map;
- reinforcing the third-party due diligence process (including specific anti-corruption due diligence prior to any merger or acquisition);
- continuing and expanding the training curriculum with a mandatory online anti-corruption course and dedicated classroom courses for people in the most exposed positions;
- revising the internal ethics and compliance procedures, covering in particular details of the anti-corruption compliance program, gifts and invitations, and conflicts of interest;
- strengthening the accounting controls procedures.

4.1.1.1 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 possible 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 tax positions taken 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 Corporate Finance Department. The system for managing these risks is also governed by the Group's tax policies.

4.1.1.1 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 and privacy champions 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.

4.1.1.2 Demonstrating our CSR commitments through responsible procurement policies

SGD 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 €14 billion in 2021, purchases represented close to 60% of consolidated sales for the year.

Michelin is 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.

Risk factors

Among other objectives, the Responsible Purchasing policy is designed to mitigate the impact of the following risks:

- supplier failure to respect human rights;
- the climate change impact of our suppliers[1];
- the impact of our raw materials on the environment;
- non-compliance with the Supplier Relations Code of Conduct.

(1) See section 4.1.4 The Environment.

4.1.1.2 a) Governance and organization

Clearly defined policies

In April 2021, Michelin published its Sustainable Purchasing Policy, which defines the Group's main responsible sourcing guidelines and commitments, covering such issues as the environment, human rights and ethics. It may be downloaded from https://purchasing.michelin.com/en/sustainable-purchasing/.

The Policy is built on three of the Michelin Purchasing Department's fundamental reference documents:

- **the Michelin Purchasing Principles**, which were published in 2012, updated in 2017 and thoroughly revamped in late 2020. These Principles 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 express, in particular, the environmental, social and ethical standards and performance expected of Michelin suppliers, which is why they are included in all of the Group's procurement contracts and in its general terms and conditions of purchase;
- **the Supplier Relations Code of Conduct**, which was issued in early 2021 to Group employees involved in supplier relations. It is an integral part of the Group's Code of Ethics;
- **the Sustainable Natural Rubber Policy** (see section 4.1.1.3 c).

A global organization

The Group has around 45,000 suppliers located on every continent, while the Purchasing Department has some 750 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 and Mobility 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. The Chief Procurement Officer is also a member of the Group Management Committee.

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 department teams, 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.

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 recognizes French companies that have demonstrated the ability to foster balanced, sustainable relations with their suppliers. The label was awarded to Michelin again in 2020 and 2021.

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 demonstrated effectiveness of the Group's responsible procurement practices.

Lastly, following its CSR audit by EcoVadis in July 2021, Michelin was awarded **a score of 80/100 in Responsible Purchasing, ranking the Group among the top 1% of suppliers rated in the "Manufacture of Rubber Products" category.**

The score also recognized the dedicated commitment to responsible procurement practices of all of the Group's purchasing teams and their internal partners.

In addition, Michelin encourages a similar commitment among suppliers, by honoring some of them with **Michelin Supplier Awards** based on five criteria: Sustainability, Innovation, Quality, Risk Management and Support provided during the crisis. At the 2021 event in September, nine suppliers were celebrated for their performance.

4.1.1.2 b) Identifying categories and countries at risk and assessing suppliers

Identifying categories and countries at risk

To supplement the Group's risk map, the Purchasing Department has mapped its social responsibility risks in the supply chain. 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

Michelin has commissioned CSR rating company EcoVadis to conduct desktop reviews of how its leading suppliers stand in 21 CSR indicators tracking their performance in the environment, labor relations & human rights, business ethics and responsible procurement.

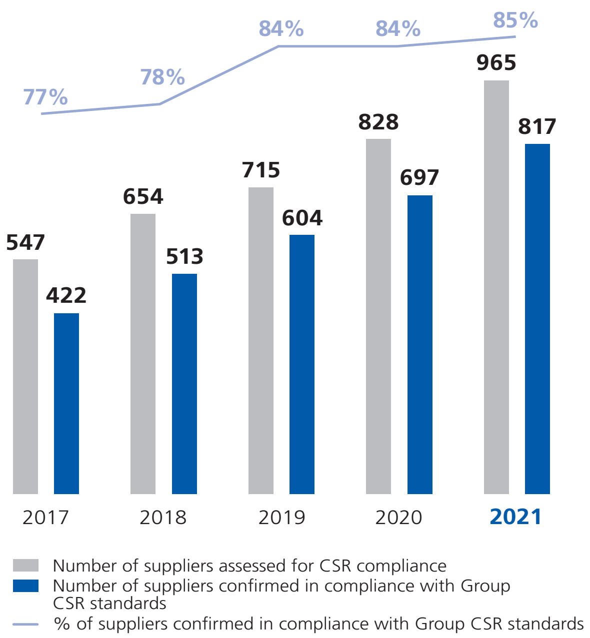
DEPLOYMENT[2] % OF PURCHASE SPEND COVERED BY ECOVADIS SUPPLIER REVIEWS

By purchase category
▶ around 65% of Group procurement
▶ around 95% of natural rubber procurement
▶ around 95% 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
▶ ≥95% 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,* started to perform CSR assessments of its most at-risk suppliers. The process will be extended to **Multistrada** suppliers in 2022.

Every year, desktop reviews are being performed in additional risk categories, with a focus on those identified during the mapping phase as being insufficiently covered.



(1) For more information, see the Duty of Care Plan.
(2) Excluding newly acquired companies.

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 2021, for example, of the approximately 760 suppliers with an assessment track record, 65% had improved and 20% had maintained their score. Lastly, of the suppliers whose low scores in previous assessments had prevented them from being "confirmed"[1] as compliant with Michelin standards, 64% had delivered the expected performance over the year.

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 its Quality standards and the Purchasing Principles, Michelin has introduced a **"supplier quality system audit procedure" (ESQF).** 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 supplier's compliance with Michelin Purchasing Principles in such areas as environmental stewardship, respect for human rights, 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 a separate score for compliance with the Purchasing Principles. 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 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).

Levers for action deployed and dedicated CSR risk procedures

Cross-functional levers for action deployed

Enhancing the professionalism of employees and stakeholders

Considerable resources have been deployed to enhance the professional skills of the procurement teams and to make purchasing processes more efficient. In particular, the training program for purchasing teams comprises a series of dedicated Sustainable Procurement modules. In 2020, the classroom module was transformed into a set of online training courses, to ensure that high-quality training is available at any time for teams around the world. By the end of 2021, the sustainable procurement curriculum included 13 modules, some of which are mandatory for all buyers and others that may be more appropriate for certain categories or countries. As of year-end, the mandatory modules had been attended by nearly 200 people worldwide, in addition to the 712 people trained since 2011 via the classroom/webinar module.

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. To support buyers in this process, a guidebook and an e-learning module were created in 2021.

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.

In 2021, procurement from **sheltered work centers and social enterprises was particularly encouraged in France** with the creation of a dedicated intranet page, a training module, a directory and a video shared over several communication channels.

(1) "Confirmed" status corresponds to an overall EcoVadis score of at least 45.

***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 chain). These responses include signing multi-year contracts, seeking new suppliers, maintaining strategic buffer inventory, finding substitute products, and, in the case of conflict minerals, maintaining duty of care procedures (see paragraph below).

Climate change impact of our suppliers

The Group has taken a proactive approach to determining which purchasing categories and suppliers represent the largest sources of greenhouse gas emissions (GHG). These suppliers are actively encouraged to initiate, expand or step up their commitment to reducing their GHG emissions (see section 4.1.4.1 a) Transition plan: decarbonizing our operations/ Scope 3: reducing emissions from our logistics operations).

Impact of our raw materials on the environment

Circular economy

To support the Group's commitment to using sustainable materials, the main raw materials suppliers have been requested to submit a roadmap for developing materials made from renewable or recycled sources. (see section 4.1.4.2 Enhancing the circularity of our products/Increment the use of sustainable materials).

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, using more eco-friendly marketing materials and replacing laptops less frequently. Other initiatives are addressing raw materials packaging, for example by testing reusable pallets.

Biodiversity

Purchasing is also a stakeholder in the Group's biodiversity initiatives, for example by getting natural rubber and raw materials suppliers involved in the Science-Based Targets Network (SBTN[1]) survey in 2021-2022 or by engaging landscaping service providers in the programs to reduce the use of pesticides and herbicides (see section 4.1.4.3 Supporting biodiversity).

Supplier failure to respect human rights

Supplier assessments

In 2021, a dedicated indicator was introduced in supplier CSR assessments to track their labor relations and human rights performance. As of year-end, 89% of assessed suppliers were confirmed as compliant with Michelin's labor relations and human rights standards.

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 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.

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 complies with this registration requirement as a manufacturer or importer of chemicals or articles containing chemicals and verifies that the chemicals or articles it uses have been registered by the suppliers.

(1) *SBTN:* Building on the momentum of the SBTi, the SBTN is working to enable companies and cities to set targets for climate and nature.

Non-compliance with the Supplier Relations Code of Conduct

The Supplier Relations Code of Conduct and dedicated training module

The Supplier Relations Code of Conduct was prepared in early 2021, replacing the content published in the previous version of the Michelin Purchasing Principles. It is an integral part of the Group's Code of Ethics and applies not only to buyers, but also to any Group employee involved in supplier relations.

To ensure compliance with ethical guidelines, a dedicated online training module was developed in 2017 and updated in 2021 to reflect the new Code of Conduct. It 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 6,300 people.** Additional training may be offered in the various regional organizations.

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 currently being deployed will offer new paperless solutions. 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 (91.7% worldwide in 2021), 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.

MFPM 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 with respect 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 2017-2021 period, suppliers have requested mediation at most twice per year. These cases generally concerned invoice payment problems or disputes, which were quickly resolved by the mediator.

4.1.1.2 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 village smallholders, who produce 85% of the world's output on small farms generally covering less than four hectares.

Michelin was recently ranked No. 1 by SPOTT, a natural rubber ESG disclosure platform, with a score of nearly 82%. This was Michelin's first assessment by SPOTT, which found that the Group **led the global rubber industry in sustainability disclosure and performance**.

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.

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 formalized its public commitments in its **Sustainable Natural Rubber Policy issued in 2016 and updated in early 2021, which has been recognized as aligned with GPSNR**[1] **guidelines**.

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 expects every stakeholder across the supply chain to embrace socially and environmentally responsible 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 village 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.
- **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 and deforestation risks are analyzed.

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 2021, desktop reviews covered the vast majority of our rubber suppliers, representing around 95% of our spending on natural rubber inputs. The CSR maturity of suppliers representing some 80% of total spend was confirmed as compliant with Michelin standards, which corresponds to 83% 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 around 140 per year. Follow-up audits are systematically conducted, with remedial action plans mandated in the event of shortcomings. Due to pandemic-related travel restrictions in 2021, most of the year's on-site audits were performed virtually using video technology.

Supply chain risk assessments

To understand and mitigate deforestation, human rights and other risks in its natural rubber supply chain, Michelin is systematically deploying a variety of risk assessment tools and systems.

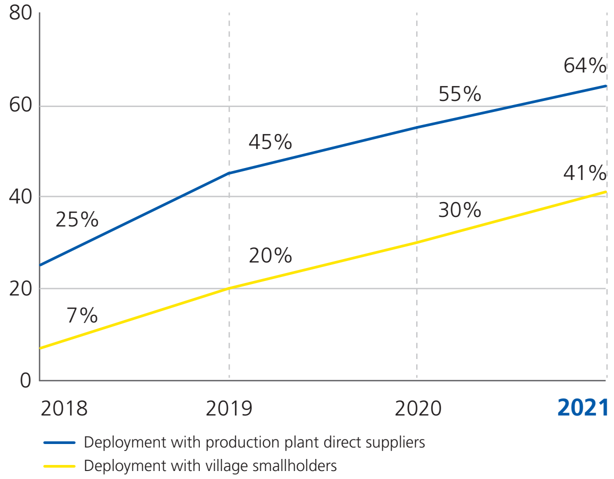
Developed in 2017, the RubberWay® risk-mapping system uses a mobile app to map environmental and social risks in the natural rubber supply chain. Supply chain stakeholders, including raw rubber processing plants, brokers, large plantations and smallholders, are asked to respond to a questionnaire about their practices in such areas as human rights, the environment, agricultural training and market transparency.

The inputted 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 direct Michelin suppliers and can be used to prepare improvement plans or deploy mutually designed risk mitigation projects.

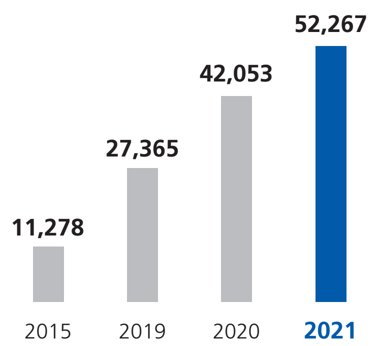
(1) *The Global Platform for Sustainable Natural Rubber (GPSNR).*
(2) *https://purchasing.michelin.com/en/sustainable-natural-rubber-policy/.*

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



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 start by deploying 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 2022** (pushed back from 2021 due to the pandemic). Deployment was slowed in 2021 by the Covid-19 crisis, so that 64%[(1)] of volumes had been mapped by year-end.

However, the application is most impactful at the farmer level. Given their vast numbers (around six million worldwide), Michelin wants enough of them participate in the RubberWay® mapping exercise to ensure that it is representative of their farming practices. By the end of 2021, it was felt that this minimum representativeness had been reached for 41%[(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 gains are transparently reported on the Michelin Purchasing[(3)] website.

Aware of the specific risks of deforestation, Michelin is working with the WWF on a comprehensive review of such risks in its suppliers' sourcing regions, based on input from the natural rubber processing plants. In 2021, all of the major sourcing countries were covered by a preliminary analysis, which will now be adjusted on a more granular level with updated data sets and field feedback via interviews with suppliers. Processing plants identified as high risk in the preliminary analysis will also be prioritized for commitments.

Frontline initiatives

Deployment of the RubberWay® app is enabling Michelin to identify, analyze and prioritize risks specifically by supplier and geography. In the case of deforestation, the Group is engaging with suppliers, while also seeking opportunities to address the risks directly in the field in priority jurisdictions.

The Committed Actions for Smallholder CApacity DEvelopment (CASCADE) project in Sumatra, Indonesia, is improving working conditions and living standards for 1,000 village planters and their families, while upgrading their environmental and social practices. Developed using RubberWay® data, the four-year project combines in-person instruction with a digital training solution to improve accessibility and the ability to measure impacts. Agricultural training is helping the farmers become more economically resilient by increasing their rubber yields and diversifying their income streams. The project is also highly focused on social and environmental training, including courses in human and workers' rights and training in environmentally friendly farming practices. The latter include reducing the use of agrochemical inputs, agroforestry practices, environmental training for deforestation-free farms and testing a carbon sequestration model. This is the first natural rubber project to encompass the entire supply chain, from village smallholders and partners to a natural rubber processor, a tire manufacturer and a carmaker.

CASCADE's holistic training model and digital training solution can easily be adapted for use in other regions and communities. In 2021, a process to identify appropriate geographies led to the design of the RIVER project, which will be launched in 2022 to develop the skills of 6,000 village farmers and their families in Sri Lanka, where rubber tree farming plays an important role in local livelihoods.

(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/en/sustainable-natural-rubber-policy/.

Michelin's global natural rubber network, which includes processing plants and a producing region focused on research and development in Brazil and joint ventures in Africa and Asia, gives it unrivaled expertise that it can leverage to deploy projects and initiatives in support of responsible natural rubber farming.

Examples include the program to grow selected high-yield rubber tree seedlings for sale to farmers, the training of around 90,000 farmers a year to transfer skills in best farming practices, and the campaign to promote 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 4.1.4.3 Supporting biodiversity).

In 2015, Michelin formed the RLU joint venture to develop new rubber plantations, protect primary forests and restore ecosystems on Sumatra (71,000 hectares) and in East Kalimantan (18,000 hectares). Undertaken in partnership with the WWF, this project has led to the creation of more than 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[1].

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 2021.

Michelin is also seeking opportunities to work with multi-stakeholder programs to address risks across the natural rubber supply chain. In 2021, it pledged funding for a smallholder capacity-building project in Thailand under the aegis of the GPSNR (see below). The three-year project is empowering smallholders to enhance their livelihoods and diversify their sources of income with agroforestry practices, while delivering positive environmental outcomes.

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 brokers, tiremakers and other users, automakers and civil society, with the participation of a large number of NGOs.

As one of three tire industry representatives and chair of the Executive Committee until year-end, Michelin was again one of the most active GPSNR members in 2021, when it impactfully participated in five of the six working groups (Strategy & Objectives, Smallholder Representation, Capacity Building, Shared Responsibility, Traceability & Transparency). It was also recognized for its rigorous contributions to the GPSNR's sustainability monitoring standards and theory of change, which were presented at the 2021 General Assembly.

For more information, please visit www.gpsnr.org.

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 dedicated Michelin Purchasing website[2], 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.

(1) Royal Lestari Utama, 2020 Sustainability Report: https://www.rlu.co.id/sustainability.
(2) https://purchasing.michelin.com/en/sustainable-natural-rubber-policy/.

4.1.1.3 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

Safety risks associated with tire products

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(1).

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 Internal Audit, Risk Management, Internal Control and Quality 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.

Product/Service Safety Training

Every employee in operations that could potentially have an impact on safety is trained in product/service safety practices. In the design offices, the training curriculum for design engineers is informed by a culture of risk management. The validation and certification earned after completing the courses attest that they have acquired the requisite knowledge and expertise, which are then regularly monitored by management and specialized experts in each discipline. Internal control campaigns assess the training's compliance with risk management guidelines and safety and regulatory standards.

In the production workshops, safety protocols are the building blocks of the "Cardinal Rules of Quality" that are applied across the Michelin manufacturing base. During induction training, the Rules are taught to all newly hired production operators, who are tested prior to taking up their positions to ensure that they have understood each one and how it is implemented. Regular refresher courses are also offered. Employees pay careful attention to the Cardinal Rules of Quality, which are continuously assessed by management, especially during on-site visits. Any form of non-compliance triggers an appropriate management response. Retraining is periodically offered and regular information keeps everyone alert and aware. For the most sensitive positions, certification is awarded only after independent validation by the Quality Department, thereby ensuring that the employee has acquired the requisite skills. Dedicated control plans are in place to ensure that these capabilities are tracked and maintained over the long term. Training in the Cardinal Rules of Quality and Quality Culture are audited by an internal control process.

Quality managers act as customer risk management experts. In particular, the Design Quality Assurers and the Manufacturing Operations Quality Managers are trained in Product Safety and Compliance in accordance with prevailing standards.

Supplier quality assurance

With regard to suppliers, Product/Service Safety standards are factored into raw materials specifications. Suppliers agree to ensure that these standards are properly understood and applied by their employees, with compliance verified during supplier audits.

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/or technical experts in each field(2). 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.

(1) *See section 2.1 Risk factors specific to Michelin, description and related management systems/Risk 11: Tire product safety.*
(2) *See section 4.1.1.2 Demonstrating our CSR commitments through responsible procurement policies.*

Quality management system

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.

In response to automaker customers, the plants that manufacture and deliver original equipment tires have been certified to IATF 16949: 2016, which specifically describe the development and production processes for auto parts.

Safety trials and tests

Products designed and manufactured by the Group are extensively tested and assessed to ensure that they meet all the safety standards defined by Michelin in addition to regulatory standards.

In the case of regulations, the Group performs the tests defined in applicable legislation to earn initial approval of its products and ensure their long-term conformity of production (CoP). In 2021, for example, the Group performed several thousand regulatory tests, representing a run-time of more than 255,000 hours[(1)].

- Annual CoP control plans addressing all the regulations in force in the markets served by the Group[(2)] are prepared for each production unit[(3)]. Implementation of these plans and their outcomes are tracked internally by the Quality Department and, if necessary, externally by government-mandated bodies at their request.

Drawing upon its technical expertise and market intelligence, the Michelin Group has also defined its own safety standards for each type of product and each usage category. These standards are approved and reviewed quarterly by dedicated steering committees, made up of the technical and quality managers concerned. All of them are expressed in internal standards manuals that refer to the corresponding tests approved for CoP control. To offer customers products that meet Michelin's highest safety standards, more than 1,950,000[(4)] hours of safety testing are conducted every year[(5)] on the Group's tracks or in its laboratories.

Most of these regular tests are performed by the Group. For this purpose, 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.

Customer training and support

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.

Monitoring markets and responding to quality events

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 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.

(1) Estimated hours of testing based on 2019 data.
(2) Such as the various UNECE regulatory standards (R30, R54, R75, R106, R109, R117, R2017/2400, etc.) applied in China, India, Indonesia, Thailand, the United States, Brazil and the Gulf States.
(3) Because it depends on the number of products in production, the number of products tested and tests performed can vary from one year to the next.
(4) Estimated hours of testing based on 2019 data.
(5) Including safety tests requested by our OEM customers.

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 2021, across the entire Group, all its brands and all its tire products, four voluntary recalls were issued, concerning 30,856 products of the total 200 million or so manufactured every year by the Group [SASB TR-AP-250a.1].

The two most significant recalls concerned:

- around 30,500 passenger car tires sold primarily in Europe, which were recalled in late 2021 in association with a car manufacturer. In certain vehicle/tire configurations, excessive wear can occur and lead to a loss of pressure;
- 44 passenger car tires sold mainly in North America and Europe, which were recalled in late 2021 in association with a car manufacturer. Tread cracking was detected on a test car tire, which could, under extreme use, lead to a loss of pressure.

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, an identification of the root causes 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.

Customer Promise Guarantee

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.

Since 2016, the Group has used the Net Promoter Score® *(NPS®)* as an indicator to measure customer satisfaction and, if needed, to take corrective action to improve it.

Because Michelin serves a very diverse customer base – 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 create two new composite indicators:

- the "End Customer" NPS, a weighted average of the consumers and business customers macro-clusters;
- the "Partner" NPS, a weighted average of the OEMs and dealers macro-clusters.

OUR OBJECTIVE:

The Group is committed to increasing the Partner NPS by ten points and the End Customer NPS by five points by 2030 compared to 2020.

In 2021, the Partner NPS declined by 1.4 points, to 38.9 from 40.3 in 2020, as an improvement in the OEM NPS was offset by a clear deterioration in the dealer NPS due to difficulties in our dealer supply and delivery chain.

The End-Customer NPS will not be released this year due to (i) a steep drop in the Fleet NPS response rate, which rendered the score immaterial, and (ii) a change of provider in one of the regions, which had an unanticipated impact on the End-Customer NPS.

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 18th consecutive year, Michelin earned **top scores in the annual J.D.** Power**®** Original Equipment Tire Satisfaction Study. The study measures tire owner satisfaction in four key performance factors: tire wear, tire ride, tire traction/handling and tire appearance. In 2021, US respondents ranked Michelin highest in the luxury, passenger car, performance sport and truck/utility tire categories. Michelin has won a total of 97 J.D. Power® awards since the study began in 1989, more than any other tire manufacturer.

Michelin has also been honored for its overall performance by a number automotive customers. In China, for example, Beijing Benz, Hongqi Automobile and GAC have presented the **Michelin Group with Supplier Excellence Awards**.

4.1.1.4 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 tire industry in analyzing the potential impacts from tire and road wear particles (TRWP), the mixture of tire tread and road surface debris generated by the friction between tires and the road.

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 flow, 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 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 manufacturing 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;
- 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.

Lastly, it is already possible to start making a positive contribution to reducing TRWP releases, both collectively and individually.

Collectively, by defining a standardized test and using it to remove the worst performing tires from the market by enforcing tire abrasion thresholds. To support regulation that would limit acceptable levels of particle releases from all tires worldwide, Michelin and other ETRMA members are helping to define a standardized TRWP emissions testing method.

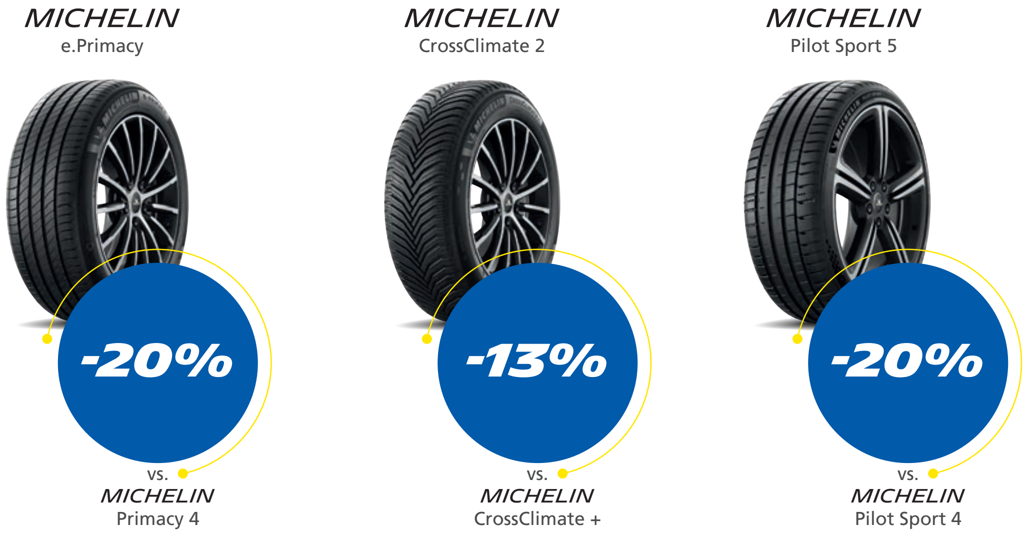
Individually, by developing innovations that enable the Group to design tires that help to further reduce TRWP emissions.

Regardless of any ongoing studies, Michelin has always led the way in using materials more efficiently. This process has driven a steady reduction in TRWP emissions from its tires. **The Group is committed to further reducing overall particulate emissions from its new tire families.**

(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/.

PARTICULATE EMISSIONS ARE BEING REDUCED WITH EACH NEW RANGE[(1)]

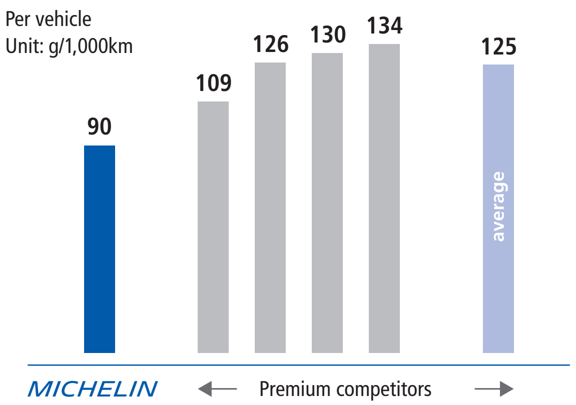


(1) DEKRA studies in 2020 (MARK20B, MRK20E) and 2021 (MARK21E).

In December 2021, the Allgemeiner Deutscher Automobil-Club (ADAC)[(1)] for the first time carried out a comprehensive study to determine whether tires with lower TRWP emissions are less safe, by measuring tire abrasion from around 100 tire models of different sizes and comparing the releases to the results of braking distance tests on dry, wet and, for winter tires, snowy roads.

Analysis of the ADAC results shows that MICHELIN often ranked first as the brand releasing the fewest particles per kilometer, on average, among all the tires tested, while still delivering excellent performance in the safety-relevant categories.

TRWP EMISSIONS: *MICHELIN* VS. OTHER PREMIUM TIREMAKERS



*Source: ADAC, Dec. 2021**

**   Tyre wear particles in the environment, ADAC, Dec. 2021 – 100 sizes tested.*

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. The Michelin Group supported the introduction of these regulations, 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 balanced performance in the above three factors have been proposed by the tire industry to the European Union for application in 2024-2026.

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. Since then, many countries, such as Turkey, Israel, Brazil and Russia, have introduced similar legislation and Japan is planning to do so by 2024.

(1) Tyre wear particles in the environment, ADAC Dec. 2021 (https://assets.adac.de/image/upload/v1639663105/ADAC-eV/KOR/Text/PDF/Tyre_wear_particles_in_the_environment_zkmd3a.pdf).

Among the countries that did not sign the 1958 agreement, 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 supportive of 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. 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 came into effect on May 1, 2021.

Other countries have introduced similar regulations for certain tire categories. In each one, the Michelin Group, when requested, helped to define the terms.

In 2021, 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].

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 an internal combustion vehicle's fuel consumption and therefore its 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]. For example, Michelin helped to promote a metric measuring actual emissions for very low rolling resistance tires, which was included in the latest UNECE regulation. 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. The standards, which have been in effect since the 2018 model year, are becoming stricter every year. On November 12, 2021, however, the regulation's scope of application was changed when the U.S. Court of Appeals, D.C. Circuit ruled that the EPA and the NHTSA did not have the authority to regulate trailers pulled by hauling trucks. As a result, the Phase 2 regulations can no longer be applied to trailers. However, all other types of motor vehicles listed in the regulation must continue to comply with the law.

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, for application in July 2022.

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.

(1) *See 4.1.4.1 b) Transition plan: company strategy/Opportunities and risks/Designing ultra-energy efficient products.*

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, Sweden in 2019, and France in 2021 through its "Mountain Law".

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.

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. The technology can also 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, so as to facilitate widespread take-up of the technology. In addition, it is offering other tiremakers its intellectual property through an attractively priced licensing program. 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

The UN Global Plan for the Decade of Action for Road Safety 2021-2030 is spurring the global road safety community to respond differently and reduce the number of road traffic deaths and injuries by at least 50% by 2030. Making safety the focal point will advance the global agenda to deepen the commitment of governments, the private sector and NGOs to implementing measures that can significantly reduce road casualties.

Recognizing that by 2030, around 70% of the world's population is likely to live in built-up urban areas, it is essential to invest in safe mobility.

In line with its tradition of forming 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). Michelin is also continuing to participate actively in the global Sustainable Mobility for All (SuM4All) initiative led by the World Bank, where Michelin is the only private sector representative on the Steering Committee. As part of the initiative, Michelin helped create a safe mobility working group through its Corporate Foundation in 2021, to devise more effective policies and initiatives to encourage this core component of sustainable mobility.

With the support of the FIA and its local automobile clubs, Michelin successfully deployed a number of programs around the world in 2021:

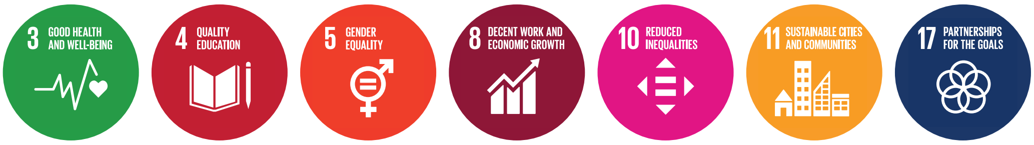
- in **Argentina,** Michelin's Responsible Driver campaign received the 2021 "Let's Fight for Life" **award** from NGO Luchemos por la Vida for promoting and improving road safety awareness and education. The campaign had more than **eight million views**, with five average viewers and a learning rate of 35% thanks to Twitch live streaming and Instagram filters designed to get young people to answer questions about driving behavior and best practices;
- in **Thailand,** the distribution of 2,000 helmets for young drivers, "Driving License for Young Riders" and "Safe Mobility to Heroes" were organized in partnership with the FIA and the Government of Thailand. The FIA safe mobility campaign attracted 14,000 views at the "Michelin 2 Wheel Virtual Event" by delivering safety-related content and games on Michelin and partner platforms;
- in **China,** the national "Safety, We Act Together" survey sent out more than 3,000 questionnaires on safe, sustainable urban mobility in more than 200 cities. Their findings, which offered significant insights to local authorities, positioned Michelin as a leader in safe mobility with the "Changing District Public Welfare Partner for Safe Mobility" award. The livestreamed awards event garnered 221,000 views and 2,000 commitments during the 90-minute rebroadcast;

- in **India,** a TV advertising campaign promoting safe mobility practices was aired on the "Autocar Show", a popular program for car enthusiasts on the Times Network, India's most influential television network. The ads ran on 18 original episodes and 18 reruns on four news channels with an estimated audience of 397,000 people and an estimated 13.78 million impressions;
- in the **United States,** a video game-based campaign was deployed to reach young drivers and teach them tire safety rules.

The United Nations Road Safety Fund (UNRSF), 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. UNRSF-funded road safety projects are designed to expand and improve key aspects of national road safety systems in low and middle-income countries, while ensuring that the ultimate beneficiaries are millions of their citizens, especially children and other vulnerable road users.

VIA, the independent road safety education program developed by the Total Foundation and the Michelin Corporate Foundation, has been deployed in around 450 schools in 31 countries. It takes an innovative instructional approach focused on life-affirming messages and the acquisition of safe ways to behave in traffic. In France, the pilot program managed by Michelin in Clermont-Ferrand has been attended by 400 students in three schools since November 2021.

4.1.2 HUMAN RIGHTS



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 and aligned with the universal principles of human rights and international labor conventions.

A vision grounded in international principles

As a signatory to the United Nations Global Compact since 2010, Michelin constantly strives to uphold its ten principles to the best of its ability. 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 supporting compliance with the International Labour Organization's fundamental Conventions, particularly in relation to freedom of association and protection of the right to organize, the elimination of discrimination in employment and occupation, the elimination of forced labor and the effective abolition of child labor.

These principles have also inspired the Group's internal reference documents, particularly the Michelin Performance and Responsibility Charter, the Code of Ethics, the Anti-Corruption Code of Practice and the Michelin Purchasing Principles. Widely promoted among the Group's employees worldwide, 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.

To enhance its expertise and capitalize on best practices, in 2017, Michelin also joined the Businesses for Human Rights (*Entreprises pour les droits de l'homme* – EDH) association, which comprises around 20 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 4 Inclusive Growth initiative in cooperation with the OECD. Since late 2020, Michelin has also chaired the Human Rights Club of the Global Compact France network.

4.1.2.1 b) Organization and ambitions

A governance body led by senior management

The Group's human rights policies, objectives and strategy are validated twice a year by the **Human Rights Governance Body**, which is chaired by the Executive Vice President & Chief Personnel Officer (a member of the Group Executive Committee). Other governance members include the Executive Vice Presidents of Manufacturing and Engagement and Brands (both members of the Group Executive Committee), the Chief Procurement Officer, the General Counsel and the Vice Presidents of Public Affairs, Sustainable Development and Mobility, Internal Control and Safety & the Environment.

Note that health and safety issues are managed by a separate organization, the Employee Health and Safety Governance Body. The Human Rights Governance Body is supported by input from a multidisciplinary **Operational Committee** comprising representatives from the corporate departments in charge of Sustainable Development and Mobility, Purchasing, Personnel, Internal Control, Risk Management, Employee Relations, Public Affairs, Diversity & Inclusion and, since late 2021, Compliance. Meeting ten times a year, it prepares an annual action plan engaging Michelin in a continuous improvement process.

Clearly defined expectations in each human rights issue

After conducting human rights impact studies in six countries until 2018, the Group has been reviewing every aspect of each issue since 2019, so that measures to prevent and manage the identified risks can be sustainably embedded in its business processes. In **2021, a new version of the Code of Ethics** set out the expected practices regarding discrimination, harassment, child labor, forced labor, impact on local communities, health and safety, privacy and personal data protection. In each area, action principles are clearly specified and illustrated with practical examples. They are also cross-referenced to recommendations issued by leading international organizations, such as the ILO Conventions. In addition, in 2021, a new harassment policy was added to the six Personnel Department policies.

For the first time, ambitious objectives for decent wages and a universal social protection floor were defined following an in-depth review of these issues in every operating region around the world.

2030 objectives and their performance indicators

In 2020 and 2021, significant efforts were made to define the Group's human rights objectives for 2030 and to support each one with ambitious 2030 indicators and targets for the years to come. The nine objectives are as follows:

In 2030, we want to be	Internally	Externally
A company to which everyone contributes and in which everyone is respected	1 – A company where everyone feels safe at work	3 – A company whose supply chain ensures decent work for every employee
	2 – A company offering a decent wage and supportive employee benefits	
A company in which everyone can feel engaged, fulfilled and their authentic selves	4 – A company where employees constantly improve their employability	
	5 – A company that allows diversity to flourish in all its forms	
	6 – A company in which everyone feels like an owner/stakeholder	
	7 – A company where employees are motivated/engaged	
A company that operates in harmony with its stakeholders	8 – A company that listens to the opinions of internal stakeholders	9 – A company that blends harmoniously into its environment and is beneficial for its local host communities

Indicators tracking performance towards the nine objectives

Several new indicators have been devised to measure progress towards the objectives, including a **Diversities & Inclusion Management Index (IMDI)** that tracks five diversity metrics[(1)].

Note that some of the newly defined indicators do not yet have any prior-year comparatives.

(1) See section 4.1.2.2 Instilling an inclusive culture of diversity and preventing discrimination.

Objective	Indicator	2021	2020	2019	2030 Objective
1 – A company where everyone feels safe at work, both physically and psychologically	TCIR	1.29	1.19	1.43	<0.5
	Well-being indicator	76%			80%
2 – A company offering a decent wage and supportive employee benefits	% of employees receiving a decent wage in each host country	95%	-	-	100% in 2025
	% of employees covered by a floor of such benefits as health insurance, disability/death insurance and parental leave for birth/adoption	New in 2021	-	-	75% in 2025 and 100% in 2030
3 – A company whose supply chain ensures decent work for every employee	% of suppliers assessed that comply with the Group's human rights standards	89%	86%	85%	≥95%
	% of natural rubber volumes used by the Group covered by human rights assessments of a representative sample of farmers (via the RubberWay® application)	41%	30%	20%	80% from 2025
	Number of village smallholders whose working conditions and standards of living have improved as a result of remediation projects	New in 2021	-	-	30,000
4 – A company where employees constantly improve their employability	*% of employees who respond positively to the Moving Forward Together survey question*: "I have real opportunities to develop my skills at Michelin."	74%	73%	-	85%
5 – A company that allows diversity to flourish in all its forms	IMDI, a composite indicator that tracks inclusion and diversity (see section 4.1.2.2 b)	67	62	-	80/100 points
6 – A company in which everyone feels like a stakeholder	% of employee shareholders	49.8%	-	-	Maintain a rate of >50%
7 – A company where employees are engaged	Engagement rate	80%	82%	80%	>85%
8 – A company that listens to the opinions of internal stakeholders	*% of employees who respond positively to the Moving Forward Together survey question*: "I feel like my opinion matters and my ideas are taken into account in my company."	69%	-	-	80%
9 – A company that blends harmoniously into its environment and is beneficial for its local host communities	% of employees involved in local volunteer programs	2.5%	-	< 10% in the legacy scope of reporting	20%

A granular human rights risks map

In 2021, these risks were prioritized according to their impact in the new materiality matrix[(1)]. The human rights risks correspond to the risks plotted in the labor relations section of the non-financial risk map (also presented below).

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 diversity and preventing discrimination);
- freedom of association (see section 4.1.2.3 Promoting responsible social dialogue);
- product safety (see section 4.1.1.3 Guaranteeing the quality of our products and services);
- protecting employee privacy and personal data (see section 4.1.1.1 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);
- a decent wage (see section 4.1.2.3 b) Offering fair compensation and benefits).

Note that this year corruption risks have been discussed only in the "Business Ethics" section (see section 4.1.1.1).

A deeper understanding of several issues in 2021

In 2021, Michelin pursued its review of employee compensation across the Group with the support of independent expert Fair Wage Network, in a commitment to ensuring that all employees are paid **a decent wage**[(2)]. A study was also launched to eventually offer every employee a high-quality **universal social protection floor**[(2)].

Harassment issues also received special attention in 2021, with the creation of an international project team to strengthen the processes for preventing harassment and handling complaints. More than 20 initiatives were prepared and deployed in each geography and 10 regional internal control issues were defined to ensure compliance. A video message from the Managing Chairman reaffirmed the Group's zero tolerance for any form of harassment anywhere in the world and encouraged every employee to report violations to the Group hotline. An e-learning module was designed and distributed, with the goal of having every employee take part. By the end of 2021, it had been viewed by approximately 59,000 people, or nearly half the consolidated workforce. Employees in every region have been trained in how to conduct a harassment investigation and processes are now in place to ensure consistency in the decisions made based on the findings.

Decent wage-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). 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 **whistleblowing system** was also opened to suppliers, with a direct link posted on the Purchasing Department's website.

Suppliers are generally assessed with desktop reviews, which assign them an overall score and separate scores by issue, including a dedicated score in "labor and human rights" performance. More rarely, they may be asked to respond to self-assessment questionnaires (see section 4.1.1.3). In 2021, an indicator was introduced to track supplier human rights compliance, with the 2030 objective that 95% of assessed active suppliers earn the expected score.

To address human rights risks in the natural rubber supply chain, **the RubberWay®**[(3)] mobile application deployed by the Group in seven countries since 2017 **has gathered information from 48,212 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 named CASCADE was launched in late 2020 in Indonesia with mission-driven company Ksapa. The four-year project combines classroom and online training for farmers and their families in such areas as new income sources, workers' rights, crop diversification and health and safety. The courses were developed in 2021 and rolled out in the final quarter, enabling the first 125 planters and their families to be trained.

(1) Presented in section 4.1.
(2) See section 4.1.2.3 b) Offering fair compensation and benefits.
(3) See section 4.1.1.2 c) A dedicated approach for natural rubber/The RubberWay® application.

4.1.2.2 Instilling an inclusive culture of diversity and preventing discrimination

SDG 4.3, 4.4, 4.5, 5.1, 5.5, 8.5, 8.6, 10.2 and 10.3

Discrimination risks

Every person is unique and contributes to diversity. Respecting individuals in all their uniqueness is the basis of the Group's diversity and inclusion policy. **Diversity comes in many forms**, including gender, age, culture, religion, social background, disability, sexual orientation, union membership, family situation, political opinion and physical appearance.

Michelin's approach to diversity and inclusion is guided by three intentions: **(i) that its teams be representative of all the diversity found in their local host communities; (ii) that each person be treated fairly and feel free to express their authentic self and uniqueness; and (iii) that diversity be experienced in a spirit of inclusion and tolerance**, **so that it can also help to drive collective performance**.

Reflecting and supporting these intentions, **Michelin does not tolerate any form of discrimination** 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) A comprehensive, worldwide commitment

Policies and objectives

First deployed in 2005, the Group's diversity process was formally described in an initial policy document in 2018. This was followed in 2021 by a new Diversities & Inclusion Policy that sets out guidelines for the entire Group, as well as an objective for 2030. Progress towards the objective is being measured by the Diversities & Inclusion Management Index (IMDI), a composite indicator comprising 12 sub-indicators in five metrics: gender diversity, identity, multi-national management, disability and equal opportunity in promotions. Each of the five metrics is weighted equally in calculating the Index.

In addition, the Code of Ethics, which was updated in 2021, emphasizes Michelin's commitment to combating all forms of discrimination, specifies a number of sensitive situations (hiring, promotions, training, various employee benefits, etc.), cites 12 discrimination criteria as examples and describes real-world situations demonstrating conduct to be encouraged or avoided.

Governance and organization

Diversity management is built on a multi-level global organization. Led by the Corporate Vice President, Sustainable Development and Mobility, the process is managed by a Steering Committee comprising the Executive Vice President, Personnel and the heads of Training, Hiring, Employee Relations and Sustainable Development. The guiding objectives are approved by the **Human Rights Governance body**.

An **international Diversities & Inclusion network** brings together around 20 Diversity Managers from each of the host countries and/or regions. They support managers and Personnel Department employees, especially development partners and recruiters, one of whose objectives is to promote diversity.

Team initiatives around the world

Impelled by the Group, a wide range of programs and initiatives have been undertaken in the country organizations, including:

- diversity charters signed in Romania (2018), Poland and Hungary (2016), and France and Spain (2018);
- company-wide agreements signed in France;
- employee workshops to design solutions for supporting diversity in France and the United States;
- Diversity Weeks organized in Northern Europe and India;
- local networks formed in the United States (11 community-based business resource groups), Europe (WoMen Forward since 2014) and Northern Europe;
- diversity and inclusion pages on country and regional intranets, video messages from leading regional executives addressing the issue, and partnerships with local associations and cultural and educational institutions in France, the United States, Mexico and other countries.

Training to encourage inclusion and attenuate the risk of discrimination

A variety of training and sensitivity programs are being led to instill a culture of diversity and inclusion and to encourage everyone to treat people solely on the basis of their skills, avoiding any bias based on prejudice or discriminatory stereotypes. In particular, a half-day **bias and stereotype awareness** seminar has been offered for all Group managers since 2020. By year-end 2021, all managers in North and South America had attended the session, along with another 2,000 people mainly in Europe (of which 680 in France). Roll-out will continue in 2022 in Europe and Asia.

The seminar expands on other sensitivity training offered by the country organizations, in alignment with local practices and cultures. Examples include Brazil, where 360 managers (85% of the total) had attended a diversity e-learning course by year-end 2021, and France, where managers and supervisors must attend training in non-discriminatory behavior before taking up their positions.

Annual internal control campaigns

The Group regularly performs internal control campaigns that act as a continuous diagnostic system, backed by mandatory action plans. They ensure that human resources processes are non-discriminatory and that action plans are addressing the identified risks. Audited risks include discriminatory wording in individual recruitment files (job offers, applicant interview reports, etc.) and pay gaps based on identified discriminatory criteria.

Listening to employee concerns and opinions

By participating in the ninth annual worldwide "Moving Forward Together: Your Voice for Action" survey, employees were able to express their opinions about diversity and inclusion issues. Their answers to the three questions addressing these issues showed an improvement in their perceptions in 2021.

Lastly, throughout the year, employees around the world are encouraged to submit progress ideas capable of improving diversity and inclusion.

4.1.2.2 b) Targeted initiatives in the five areas of diversity

The introduction of a new composite diversity indicator in 2020 underscores the importance that Michelin attaches to every aspect of this issue. Each of its five metrics is expected to progress towards its 2030 objective.

2020 and 2021 Group IMDI figures[1]:

IMDI 2020	IMDI 2021	2030 IMDI objective
62	67	80/100 points

The five IMDI metrics	2021 score	2020 score
Gender equality in the workplace	58.7	55
Identity (age, religion, sexual orientation, etc.)	73	68
Multi-national management	76.6	69.5
Disability	63.2	53.3
Equal opportunity	64.1	63.4

Attesting to the Group's commitment to this objective, all the metrics (gender balance, identity, multi-national management, disability, equal opportunity) in the IMDI diversity and inclusion indicator improved in 2021, raising the aggregate score to 67/100 from 62. Deployment of a bias and stereotype training course attended by thousands of employees and the appointment of disability ambassadors in eight geographies have, among other benefits, helped to support wider acceptance of diversity across the Group. In the case of gender diversity, the percentage of women in management positions continued to climb in 2021, to nearly 29% by year-end. Management also became increasingly multi-national in the growth regions, with the percentage of local top managers rising to 83% from 79%, and in the Operations and Strategy Group comprising the Group's 100 most senior executives, where it improved to 35% from 30% over the year.

GENDER EQUALITY IN THE WORKPLACE

Group objective: "Achieve gender balance among Group managers and, by 2030, aim to set the gender balance benchmark in our industry."

Issue	Indicator	2021 score	2020 score	Ambition 2030
Gender equality in the workplace	% of women in positions of responsibility rated N or above	28.9%	28.2%	35%
	% of women in positions of responsibility rated G or above	17.2%	15.5%	35%
	Pay gap between men and women in categories 1 to 4	2.58%	2.58%	<2.2

The **percentage of women employees continued to increase in 2021, standing at 19.8%** at year-end, led by hiring programs and steadily upgraded workstation ergonomics. Although, much like in the automotive industry as a whole, women accounted for just 13.6% of production operators in 2021 (excluding the dealership networks), they were better represented among technical staff (32.1%) and, to a lesser extent, in management and supervisor positions (28.9%). In 2021, more than 39% of new hires were women **in the administrative employees, technicians, supervisors and managers categories**.

(1) Composite indicator calculated in number of points out of a possible 100.

WOMEN AS A PERCENTAGE OF EMPLOYEES AT DECEMBER 31, 2021

Percentage of women by employee category and region	Production operators	Administrative employees and technicians	Managers and supervisors[1]	Total	GRI Indicator
North America	14.9%	38%	26%	19%	GRI 102-08
South America	12.2%	29.4%	30.2%	16.8%	
Europe	13.5%	29.9%	29.3%	20.1%	
Africa/India/Middle East	10.7%	36.3%	28.7%	24.1%	
Asia (excluding India)	13.2%	43.6%	31.8%	20.4%	
GROUP TOTAL	**13.6%**	**32.1%**	**28.9%**	**19.8%**	**GRI 102-08**

(1) Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.

Supported by a multi-year improvement plan, three Executive Committee members are leading the Group's progress in hiring and promoting women in Marketing & Sales, Research & Development and Manufacturing. Every year, the Regional Presidents set measurable annual targets, backed by action plans.

Making Group jobs more appealing to women

To increase manufacturing's appeal to women, Michelin is pursuing a large number of initiatives on several continents in conjunction with academia, including plant tours for high school teachers and their students and meetings with inspiring women role models. 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. This commitment to promoting manufacturing jobs to women is gradually being extended to other departments with a low percentage of women, such as **marketing and sales, R&D, IS/IT and digital technology.**

With the same objective of attracting more women to the shopfloor, the production plants are deploying a variety of programs to **improve workstation ergonomics and break rooms**, with particular attention to women's changing rooms. In addition, in Poland, the agricultural tire production line at the Olsztyn plant has upgraded the ergonomics and organization of the tire inspection station, with the goal of being 50% staffed with women.

Michelin is also committed to facilitating **work-life balance** with a variety of supportive benefits, including flextime arrangements, working from home (see section 4.1.3.5 a), daycare facilities and nursing rooms, financial aid for childcare, service centers and "Family Day" events.

Increasing the percentage of women in management and on executive bodies

A dedicated action plan is being pursued in every region to increase the number of women in management. The percentage of management and supervisory positions held by women[1] has risen steadily since 2013, from 22.5% to 28.9% in 2021. To maintain this momentum and break the glass ceiling, the objective is now to reach 35% by 2030, along with a second target of having woman account for 35% of so-called "Group Manager" positions[2] versus 17.2% in 2021.

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. At December 31 2021, among the 11 members of the CGEM Supervisory Board, four were independent and one was non-independent. Within its Compensation and Appointments Committee, chaired by a man, two of the four members are women[3]. The CSR Committee is chaired by a woman.

Ensuring wage equality worldwide

Closing gender pay gaps is one of the objectives assigned every year to the Personnel Department managers in the countries concerned. A specific 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 2021, the overall gender wage gap stood at -2.58%**, unchanged from 2020, based on a sample of 37,446 people with the same level of responsibility[4].

In France, as part of a company-wide agreement negotiated in 2020, an independent study by researchers at the French National Institute of Demographic Research (INED) found that the residual value of the like-for-like gender pay gap was less than 1% in every employee category.

Lastly, since early 2019, MFPM has calculated and disclosed its Gender Equality Index, **which stood at 99/100 in 2021.**

In 2021, Michelin Spain received an award from the Spanish Ministry for Equality in recognition of its efforts to reduce gender inequality in the workplace.

- **Identity** (the sum of an individual's personal characteristics, such as age, sexual orientation, ethnicity or religion);

  Group objective: "Enable every person to be who they really are and to bring their authentic selves to work."

(1) Employees with a level of individual responsibility of A to N, according to the Hay method used by the Group.
(2) Employees with a level of individual responsibility of A to G, according to the Hay method used by the Group.
(3) See also section 3.1.3.3 Diverse profiles and experiences represented on the Board – gender balance on management bodies.
(4) Employees in categories 1 to 4. The sample did not include production operators.

	2021	2020	Ambition 2030
Moving Forward Together survey question: "In my workplace, I am treated with respect, regardless of who I am or what my position is."	84%	83%	>80%
Moving Forward Together survey question: "In my workplace, I believe that people are treated fairly (for job assignments, promotions, etc.) regardless of their background, personal characteristics or other differences."	65%	62%	>80%
Difference between the highest score in an age category and the lowest score in an age category on the Moving Forward Together survey question: "I can fulfill my career objectives at Michelin."	3 points		No difference among the age categories

Michelin seeks to encourage people to express their differences so that they can feel at ease in the corporate community. To enhance everyone's ability to embrace a multitude of differences, the Group organizes bias and stereotype sensitivity training (see section 4.1.2.2 a).

Since 2020, Michelin has also been revamping a coaching program, initially intended for women, that will now be open to any employee (and not just high potentials) who feels like they are facing a glass ceiling because of who they are.

In the United States, diversity issues related to ethnic origins are amply addressed, particularly as part of the hiring and onboarding process. A wide array of proactive programs and processes are in place to alleviate the under-representation of women and Black, indigenous and people of color (BIPOC) communities among Group employees.

Employee demographics are also regularly reviewed to ensure that minority groups are represented in line with levels observed in comparable companies. These reviews have led to purpose-driven initiatives to diversify internal and external hiring pools and develop employee career opportunities.

Moreover, in 2020, North American management responded to racial tensions by forming a strategic action team called **RISE** to combat racism within the company, the local community and across the country. In 2021, the team primarily focused on increasing the diversity composition of the workforce through hiring practices, publishing a Diversities & Inclusion report with detailed demographic data, and completing roll-out of the Group's unconscious bias training program. Also during the year, a strategic partnership was formed with the International African American Museum in Charleston, South Carolina.

Religion in the workplace

To provide managers with appropriate responses and minimize the risk of discrimination against religious people, a **guide to religion in the workplace has been issued in France.** Distributed in the French production plants upon request since 2018, the guide was updated in 2021 with an online questionnaire. In addition, all of the French plant personnel managers were given sensitivity training in religious issues. In 2020, the guide was adapted for use in Germany, in accordance with national law and specific concerns from German employees.

- **Multi-national management:**

  Group objective: "All of the Group's 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".

	2021	2020	Ambition 2030
% of employees with a level of responsibility from A to I working in a growth region who signed their first employment contract in that growth region	83.2%	78.8%	80%
% of non-French nationals among the Group's 100 most senior executives	35%	30%	50%

Michelin is committed to nurturing the emergence of a highly skilled global team of local managers. Particular attention is paid to fostering the emergence of local managers in the growth regions of South America, Southeast Asia, China, India, the Middle East and Russia. **In 2021, 83.2% of managers in the growth regions were locals** (see section 4.1.5 Summary table of employee data).

With the introduction of the new IMDI index, Michelin is taking its objective to the next level by aiming for half of its 100 most senior executives to be non-French nationals by 2030 In 2021, the percentage was 35%.

- **Disability:**

  Group objective: "Michelin offers career paths to people of all abilities, in accordance with its talent development policy".

	2021	2020	2030 Objective
Percentage of country organizations with more than 1,000 employees with at least 2% of the workforce recognized as disabled	38.5%	46.7	100%
Percentage of country organizations that have appointed an Ambassador with expertise in workplace disability issues	88%	60	100%

The new IMDI indicator, one of whose five metrics is disability, underscores the importance of this issue in managing diversity across the Group, even though cultural attitudes and legislation may vary from one country to another.

Michelin has long pursued a commitment to hiring people with disabilities and retaining employees who become disabled at some point in their careers. It also systematically strives to meet or exceed legally mandated quotas wherever they exist.

Michelin's Personnel Department regularly meets with national disability stakeholders to deepen its understanding of these issues, so that in turn it can raise employee awareness of how to support people with disabilities.

In most host countries, the Personnel Department identifies avenues to improvement and implements action plans. Michelin Germany has formed a partnership with the myAbility organization and in 2021 deployed a program to hire students with disabilities. In France, MFPM signed a company-wide disability agreement with the unions in January 2021, and an action plan is being implemented to address six core issues: hiring and onboarding, retention, training, awareness, communication and securing procurement from sheltered work centers and social enterprises. The entire process is being led by 23 disability employment officers in Group facilities as part of a Handicap taskforce. In all, disabled employees made up 6.89% of the French workforce in 2020, once again exceeding the legally mandated quota of 6%. Due to the postponement of the reporting deadline, the 2021 figure, reflecting the impact of initiatives deployed during the year, cannot be calculated until mid-2022.

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. In 2020 and 2021, the Chennai production plant in India carried out a broad-based project to support the hiring and inclusion of disabled people. Among the outcomes were the drafting of an equal opportunity policy aligned with local legislation, the provision of 1,450 hours of disability sensitivity training for around 50 managers and the permanent hiring of seven disabled people.

- **Equal opportunity**

  Group objective: "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 (category 5)".

	2021	2020	2030 target
Percentage of category 1 to 4 employees who began their careers as category 5 (production operators)	13.8%	13.4%	20%
Percentage of managers (NRI A to N) promoted from within	72.7%	73.9%	80%

Promoting from within is one of the Group's core values. This is why the new IMDI indicator includes a target for the career development of people hired as production operators, with progress measured by two sub-indicators.

Michelin also strives to support the social inclusion of disadvantaged people in its host neighborhoods.

In France, MFPM has been deploying a program since 2019 in 1,514 disadvantaged neighborhoods in French cities, leading results-oriented initiatives such as hiring refugees for maintenance positions, mentoring young people from disadvantaged urban neighborhoods and helping to hire people alienated from the workforce.

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 a **policy that 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. Its application around the world is overseen by a Group Director of Social Development, 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 Policy commitments 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.

It was in this same spirit that in late 2019 Michelin announced it was setting up a Global Works Council. Through such an economic, social and environmental observatory, the Group hopes to encourage a social dialogue process commensurate with its image and capable of driving its overall performance. In this way, the Global Works Council was created in early 2020 with 39 employee representatives from all the Group's operating regions.

It first met on June 28 and 29, 2021, both in person and via video conference due to the health conditions at the time. The speakers reviewed in detail Michelin's 3P strategy (People, Profit, Planet) through the prism of social dialogue issues and the Group's plans for a universal social protection floor and other objectives. Each presentation was then discussed in breakout working groups (see section 4.1.2.3 b).

4.1.2.3 a) An assertive social dialogue process

Demonstrating the intentions of the new 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. Michelin is also 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 initiated in 2019 concerning the industrial diagnostic reviews performed in the country's 15 production facilities (see the 2019 Universal Registration Document) enabled each one to roll out a genuine co-construction process in early 2021. Employees, their representatives and local management came together to submit informed proposals to improve plant competitiveness with the full support of every stakeholder, as part of the France 2021-2023 simplification and competitiveness project.

After completing the diagnostic reviews and defining the simplification drivers, a very broad spectrum of employees remained actively involved, in a spirit of co-construction, to determine the conditions for implementing the projects.

Paralleling this social dialogue process, negotiations with the French employee representatives resulted in a framework agreement on (i) the terms and conditions of the annual Collective Settlement Agreements (RCCs) and (ii) measures to support employees in their career development and retraining. The agreement also specified the co-construction methodology for working with employee representatives and unions during the three-year project (2021-2023).

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 (see section 4.1.2.3 c).

To date, 76% of the 858 impacted Bamberg employees have found a solution through retirement, transfer to another Group facility, outplacement and/or a career change after in-house retraining. The same is true for 80% of the 619 impacted La Roche-sur-Yon employees.

The quality of social dialogue was also maintained in Brazil and Thailand, as seen in the findings of the 2021 engagement survey.

The health crisis, which spread around the world, 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, whose related procedures were readily discussed with employee representatives. In the case of operations that were strategic for civil society (to supply equipment for emergency vehicles, the subway, 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.

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 ninth year in a row in 2021, with more than 93,000 employees participating. This represented an 87% response rate, a one-point increase on the prior year (One Michelin scope of reporting). Employee confidence in the survey illustrates how managers are increasingly using it to support dialogue in their teams and drive continuous improvement. Such a high response rate also ensures the credibility of the findings.

In 2021, the overall employee engagement rate declined by two points, to 80%, which nevertheless remained an excellent score when compared with Michelin's peer group.

Among the survey's 12 chapters, seven increased their score, four were unchanged and one saw a decline. The engagement rate demonstrated the very good perception that employees had of the Group's management of the health crisis. Once again in 2021, simplification emerged as a key employee expectation.

Encouraging employees to submit Progress Ideas

First introduced in 1927, Michelin's pioneering participatory innovation process, now 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 23,200 employees** submitting at least one idea in 2021, or 32% of the workforce that had access to the process. Of the total **57,950 ideas received in 2021, more than 18,800 were implemented during the year,** delivering improvements in areas of special interest to the Group, such as safety, quality, working conditions, cost savings, diversity and the environment.

Telling and owning the Michelin story

In 2021, the Group wanted to engage every employee in taking greater ownership in their workplace by playing a bigger role in the Group's story, in ways that give fresh meaning to its initiatives and responses to new challenges.

For the first time, the **Michelin Narrative** tells, in a short and simple format, **what the Group is and where it is going.** Starting from today's issues and challenges, the story sheds light on Michelin's focus on sustainable growth, its 2030 **Michelin in Motion** strategy and its key success drivers, while insisting on the role of a united, engaged, forward-looking corporate community. To encourage affinity and engagement, the Narrative was shared by word of mouth among employees rather than being distributed through the usual channels. Some chapters were then revised in greater detail through dedicated processes, to enable everyone to understand more clearly the transformations underway and our growth territories with, around and beyond tires.

Constant, careful attention to employee feedback underscored their appreciation for this simple process, as well as for the clear messages and the outlook they inspire.

However, the story is not over yet. Since October 2021 and until mid-2022, employees are working together in a collective intelligence process to define the final chapter in the Michelin Narrative, known as **the corporate dream for 2050.**

4.1.2.3 b) Offering fair compensation and benefits

Compensation, payroll taxes and other employee benefits

Employee benefits expense amounted to €6,445 million in 2021.

	Total employee benefits expense in 2021 *(in € millions)*	**Production operators**	**Administrative employees and technicians**	**Management staff**	**Provisions and provision reversals for pension obligations**	**Taxes and provisions**
Group	6,445	2,324	2,388	1,308	19	406

For the entire Group, the allocation of employee benefit costs 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, 2021.

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, with deployment continuing apace in 2022. 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.

Integrating CSR performance criteria into executive compensation

Tasked with helping to define Group strategy and its execution, the Strategic Operations Group (GOS) comprises the Group's 100 most senior executives, including the Managers, the members of the Group Executive Committee (CEG) and the members of the Group Management Committee (CDG).

These 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[1]).

The performance condition is based on three closely related criteria reflecting different aspects of Michelin's People, Profit and Planet strategy, which are presented in detail in Chapter 6 Investor relations (see section 6.5.4 Share grants and performance shares).

If all of the performance criteria are fully met, the granted rights would represent no less than 20% of the fixed compensation of these employees.

Guaranteeing a living wage for all employees

In 2020, Michelin worked with independent expert Fair Wage Network to develop a methodology to analyze employee compensation in its member companies. In 2021, it embarked on a new phase to verify and guarantee that all employees are paid a living wage, i.e., compensation that is high enough to support a decent standard of living by enabling them and their families to pay for food, housing, education, healthcare and other basic needs. After analyzing the compensation of more than **95% of Group employees**, the review confirmed that all of them are paid at least the equivalent of the living wage benchmarks defined by the Fair Wage Network.

The review process, which is becoming a key component in the Group's compensation policy, will be pursued in 2022.

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.

In 2021, Michelin also launched a study with a view to creating a **universal social protection floor**, so as to offer every employee and their family a set of basic social protection benefits throughout their career at Michelin, supplementing public benefit systems wherever necessary.

The floor would cover three core benefits: childcare, family support in the event of death, and high-quality, affordable health care.

Implementation studies will continue in 2022 ahead of a phased roll-out through 2025.

At the same time, the operating regions have also identified improvements in local benefit systems to support employees in the areas of mobility, education and the family.

Protecting employees from the financial 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, healthcare plans cover medical expenses and insurance coverage guarantees an income in the case of short- or long-term disability or death.

(1) ICARE: Inspiring, Create trust, Awareness, Results, Empowerment.

A wide range of proactive workplace health and safety initiatives are being assertively deployed (see section 4.1.3.3 a Systematically monitoring employee health, to prevent and manage occupational illnesses) and public health campaigns on such topics 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, 2021.

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 since 2002, a total of **62,118 Group employees** in almost 50 countries around the world are now shareholders. At December 31, 2021, they owned 1.7% 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 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, 2021, 94 employees had opted for early retirement, 128 had accepted a transfer within the Group and 479 had been outplaced. Of the employees who took retraining leave with the support of an outplacement firm, 61% have found a job or started their own business and 22% are still being assisted by the firm in finding a job or starting their own business.

A three-year revitalization agreement signed with the French government on June 30, 2020 will help to create 613 new jobs. By year-end 2021, authorities had approved applications to support 479 jobs, of which 184 had been created.

Separately, Michelin began working with leading public-sector stakeholders in the region to devise a project to transform the site into a multi-purpose center of excellence, combining manufacturing, research and training activities focused on sustainable energy, innovative mobility solutions and other future-facing technologies. The project is underpinned by the same principles as applied in the revitalization of the Dundee and Bamberg sites.

2. Three-year project to transition the manufacturing and corporate and administrative operations

On January 6, 2021, Michelin announced a strategic project to transition its operations in France over the 2021-2023 period, specifying that it would not entail any dismissals for ETO reasons.

To implement the project, Michelin and the unions signed the ADAPT France 21-23 framework agreement on April 27, 2021, defining the support measures for all impacted employees, whether they wish to remain with the Group or prefer to pursue their careers elsewhere.

Under its terms, the parties will negotiate mutually agreed annual severance packages (RCCs), which will be used to support the changes in the workforce and jobs resulting from the project over the next three years.

For employees who volunteer to leave the Group, support measures include early retirement opportunities open to all eligible employees and an outplacement program.

The 2021 RCC agreement, signed on June 7, 2021, provided for up to 538 voluntary early retirements and up to 146 voluntary outplacements in the group of companies comprising Manufacture Française des Pneumatiques Michelin (MFPM), Michelin Travel Partner (MTP), Pneu Laurent (PLA) and Simorep & Cie (CSM).

As of December 31, 2021, 525 employees had requested early retirement and 112 had opted for outplacement.

The 2022 RCC agreement, signed on January 10, 2022, provides for up to 339 voluntary early retirements and up to 194 voluntary outplacements in the same group of companies.

Italy

In Italy, as part of the Group-wide initiatives being pursued over the 2021-2023 period (e.g., the Simply project for office facilities and the competitiveness programs for production plants), the following measures were taken in 2021:

- termination of inner tube production at the Cuneo plant by year-end was announced in June. The 41 people concerned are being assisted in finding a transfer or outplacement solution;
- organizational changes in the offices and plants were supported by company-wide early retirement agreements, which concerned 106 people in 2021.

Germany

Bamberg/Hallstadt plant

The gradual 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.

As of December 31, 2021, 534 employees had left Michelin and most of them, despite the Covid-19 situation, had found employment elsewhere. Currently, there are 189 people being supported in their job search by a transitional employment transfer agency and 76 who will retire at year-end 2022.

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, stimulating the local economy in the Bamberg area, and supporting the transition to a low-carbon economy.

On December 17, 2021, one year after the last tire rolled off the line, a new company, Cleantech Innovation Park GmbH (CTIP), was formed in cooperation with the city of Hallstadt and the district of Bamberg to serve as a home for sustainable technology companies, R&D institutions and universities. The State of Bavaria has also announced it will provide funding for the revitalization project.

4.1.2.4 Supporting employee growth and development SDG 4.3, 4.4 and 4.5

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 skill-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 core Personnel Department processes that provides a framework for Department initiatives and ensures that the processes:

- foster cohesion and fairness by respecting people and facts;
- underpin our employer brand and value proposition, and ensure sustainable employability for everyone;
- comply with national legislation and international standards.

The policies concern 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. In 2021, the rate stood at 80%, down two points year-on-year but still an encouraging result given the 85% target in 2030.

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, proactively manage its constantly evolving skills requirements and adjust to conditions in its local labor markets, the momentum generated by the new process is being sustained by a strategic workforce planning system managed by the Group Competency Managers, each of whom is in charge of one skill-set (competency). These managers are led by a Central Coordinator, who in turn is supervised by the Corporate Executive Vice President, Personnel.

Lastly, the Personnel Department's role is now focused on advising, supporting and ensuring the implementation of local enabling policies and procedures. In terms of organizational structure, this has led to the creation of two new positions, Development Partner and Skills Manager.

Workforce overview

The worldwide workforce rose slightly in 2021, ending the year at **124,767 employees**[1], compared with 123,642 at December 31, 2020.

The weighting of the respective operating regions remained unchanged. France accounted for 15% of the workforce, with more than 18,733 full-time equivalent employees nationwide.

NUMBER OF EMPLOYEES AT DECEMBER 31, 2021

	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						
2021	7,750	23,538	8,490	19,108	65,881	**124,767**
2020	7,467	22,627	8,443	18,787	66,318	**123,642**
FULL-TIME EQUIVALENT EMPLOYEES OF CONSOLIDATED COMPANIES, excluding interns, work-study trainees, apprentices and TEMP AGENCY WORKERS						
2021	7,735	22,386	7,753	19,062	61,478	**118,414**
2020	7,445	21,247	7,707	18,761	62,295	**117,454**[(1)]

(1) The sum of the figures rounded up or down to the nearest whole number generates a one-FTE difference.

4.1.2.4 a) Human resources planning and development

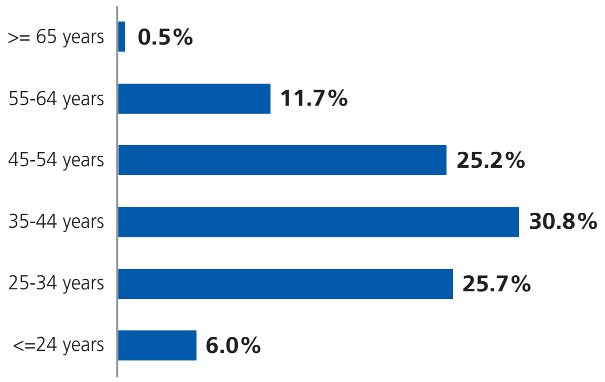
For the new skills development process to work, units and employees should be informed and advised about the talents and skills needed both immediately and over the next three to five years. This means being able to accurately foresee the emergence of new jobs and skill-sets, and how they will inevitably 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 of identifying the Group's skills and workforce needs over the coming five-year period and recommending action plans to address them with hiring, reskilling and upskilling solutions.

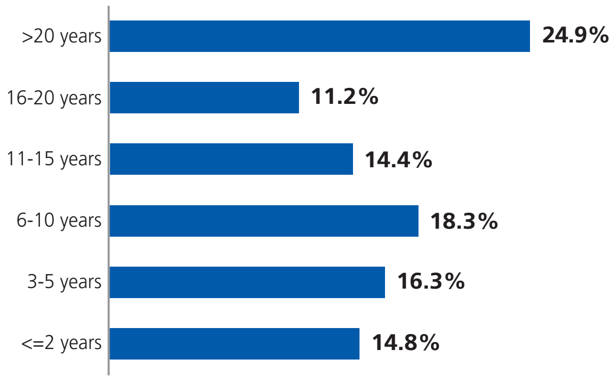
Carried out in the form of major projects at both the operating region level and in the Michelin Group business units, it covers job families for which the Group Competency Managers have identified issues requiring a response (due to a new organization, significant changes in a job family or skill needs, a strategic issue raised by the Group Executive Committee, etc.).

The ultimate goal of the Strategic Workforce Planning 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



SENIORITY



Contract employees

In 2021, **contract employees represented 4.1% of full-time equivalent employees,** compared with 4.2% in 2020.

(1) *Including the dealership networks and recently acquired companies.*

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".

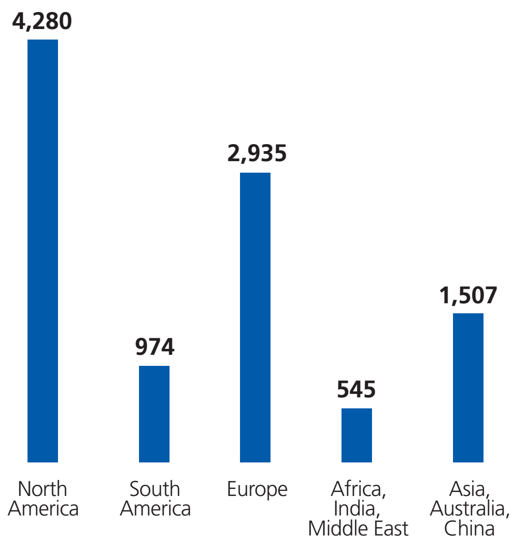
In 2021, each of the **more than 10,000 people hired under permanent contracts** during the year attended an induction program that guided them through their first days on the job and gave them first-hand insights into Michelin's culture and history. The program is also designed to deepen both their knowledge of the Group's 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 2021, as in 2019, 72.7% 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 effectively managing the people most likely to progress within the organization.

Employee movements as of December 31, 2021

NEW HIRES

New hires under permanent work contracts.



The number of new hires nearly doubled in 2021, to **10,241** from 5,116 in 2020, primarily due to the inclusion of employees of newly acquired companies in the Group's human resources management software. Of the new hires, **more than 26% were women**.

SEPARATIONS BY REASON

Separations in 2021	Resignation	Dismissal/ termination by mutual agreement	Retirement	Death	Total
Group	6,133	2,151	1,888	117	10,289

Scope: Employees under permanent work contracts, excluding the dealership networks and recently acquired companies.

The three main reasons for separation are resignations, dismissals and terminations, and retirement.

In all, the Group's **attrition rate stood at 9.5%** for the year.

4.1.2.4 c) Employee growth and development

A core component of the employee development policy, job mobility is now defined 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.

In addition, a continuous 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.

At Michelin, we believe that successfully adapting to changes in the workplace depends on a company's ability to prepare its employees for the jobs of tomorrow. This is the reasoning behind the **"Manufacture des Talents"**, a Group talent factory that is being created to support employees in their career development or retraining. The new organization will be dedicated to enhancing the employability of every employee by encouraging them to embrace a lifelong learning culture and enabling them to acquire the job skills they need today and into the future.

The Manufacture des Talents will be based in a number of regions around France, starting with a 2,500 sq.m center in Clermont-Ferrand, which will open in 2022 for Michelin employees and later for the general public. Participants will be offered a unique learning experience focused on innovation, excellence and inclusion, built around both training courses (job skills and practices) and services (educational design, career guidance, etc.).

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

Despite a global environment that remained complicated by the pandemic, investment in employee development and growth moved back in line with 2019 outlays (pre-Covid-19) in 2021. Group employees completed **4.3 million hours of training** during the year, lifting the percentage of training hours per total hours worked to an estimated 2.6%, compared with 2% in 2020. The number of hours delivered online also continued to rise, by more than 30% over the year. To deliver this average investment of **44 hours of training per person** on payroll, the Learning & Development function comprises 928 full-time professionals, of whom nearly half are dedicated to training production operators. The "InTouch Learn" 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 involving all of its suppliers 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, associations and other players.

These actions significantly enhance Michelin's impact in all its locations, thereby contributing to initiatives undertaken to prevent the risk of diminished attractiveness as an employer.

To coordinate these objectives more effectively, the Group has organized three major worldwide action programs: Michelin Volunteers (formerly 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 trust-based 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 continuous dialogue with all its stakeholders, including customers, investors, employee representatives, suppliers, public authorities, local communities, international organizations and NGOs. For example, the associated Group departments organize specific meetings every year with each category of stakeholders, led by one or several engagement managers.

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 taking into account and responding constructively to the expectations of their stakeholders. To this end, the departments regularly contact and meet with Group stakeholders throughout the year, at both the corporate and local levels.

A corporate committee

The Corporate Stakeholder Committee is made up of independent members from outside the Group who are representative of the Group's key stakeholders. They are selected by a Steering Committee, which is also tasked with organizing meetings and events. Its members include one of the two Managers of the Group, the Executive Vice Presidents of Engagement and Brands and Urban and Long-Distance Transportation and the Presidents of the European Regions, all of whom are members of the Group Executive Committee.

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 2021, it comprised 12 standing members from around the world who are representative of the Group's key stakeholders, i.e., a supplier, two customers, a trade union, two NGOs, an investor, an international organization, a philosopher, a leading urban mobility transformation researcher, a Latin American transportation expert, and a representative of the new economy. These members hail from Europe, Asia, North America and Latin America.

On September 29, 2021, the Committee gathered for its sixth annual meeting with members of the Group Executive Committee, which was held online given the prevailing health conditions. Discussions focused on two main issues, the "All Sustainable" approach and the Group's strategic vision for 2050, with the conclusions reported to a new online plenary meeting in January 2022.

4.1.2.5 b) Creating local jobs and businesses with Michelin Development

MORE THAN 40,000

jobs created with the support of Michelin Development, of which

29,000 IN FRANCE SINCE 1990

Supporting local companies with expertise and funding

Michelin is actively involved in creating jobs through its Michelin Development business. 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 2021 covered a very diverse array of businesses. 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 more than **29,000 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 2021, **Michelin Development France** signed 70 agreements that committed Michelin to supporting the creation of **1,145 jobs** in local companies, backed by around €4.3 million in loans and subsidies granted during the year.

In 2021, a little under half of its financial commitments were dedicated to production plants being reorganized that were covered by revitalization agreements. This was the case in the Clermont-Ferrand region, where the revitalization agreement signed in 2018 following the elimination of 970 positions at Group headquarters came to an end in 2021 after meeting its target. Similarly, closure of the La Roche-sur-Yon plant in late 2019 was supported by a revitalization agreement to create 613 jobs, of which 184 had been filled by the end of 2021.

During the year, the supported SMEs and SOHOs created jobs in a very wide variety of sectors, including:

- in Tours, the opening of a "Café Joyeux," part of a chain offering local companies fast food and catering services based on a profitable business model. Some 80% of its employees are people with cognitive disabilities;
- in Saône-et-Loire, the production of straw-insulated timber frames whose environmental and economic performance exceeds traditional materials. The frames are built nearby with local raw materials and labor, in a circular economy approach;
- in Clermont-Ferrand, participation in a "zero unemployment" project offering social support and assistance to the long-term unemployed, with the creation of suitable jobs and non-competitive activities in the region (bio-waste management, wastepaper sorting and collection, etc.);
- in the Vendée, the manufacture of stamped joinery fastening systems, with a strong social responsibility commitment to attract and retain employees. The facility features solar canopies on parking lot shade roofs, a "tiny forest," and sheep groundskeeping.

Applying a similar approach in many countries

Since 2002, similar business development organizations have been set up in other countries.

Michelin Development's operations **in Spain** are managed by Fundación Michelin España Portugal, which supported the creation of **153 jobs** in 22 companies in 2021. Since 2004, Michelin Development has committed more than €8.5 million locally, enabling the creation of 4,350 jobs in over 680 companies based in labor markets around the Group's four Spanish plants.

In Italy, Fondazione Michelin Sviluppo helped to create **47 jobs** in innovative start-ups and SMEs in 2021, bringing the total to around 2,500 since the program began in 2005. €56,000 in funding was granted directly to companies during the year, for a total of €2.4 million over the 17 years in operation. In addition, another €30,000 was contributed to social initiatives promoting regional growth and land-use development in 2021. The latter concerned seven companies, fewer than in 2020 but still a significant number given the difficult situation during the year. In all, 330 companies have been supported since 2005.

In the United Kingdom, following the announcement in November 2018 that it was phasing out tire production at its Dundee plant, Michelin approached local public authorities with a plan to co-construct an ambitious project to transform the site. In December 2018, a memorandum of understanding was signed between Michelin, Dundee City Council and Scottish Enterprise, Scotland's national economic development agency. In June 2019, the three parties became equal shareholders in a new company, Michelin Scotland Innovation Parc (MSIP), which acquired the Dundee site's 32 hectares of land and buildings on January 1, 2021 with funding provided equally by the Scottish public authorities and Michelin. Today, the site is striving to become a center of excellence for sustainable mobility and low-carbon energy, built on five pillars: manufacturing, start-ups, research and development, starter and refresher training, and shared services. The revitalization project's business model is based on leasing the land and buildings and providing support services. As of year-end 2021, nine tenants were already operating on the site. The medium-term objective is to recreate 850 jobs, the same number as the jobs lost when the plant was closed.

4.1.2.5 c) Participating harmoniously in local community life through our 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.

In place since late 2013, the policy encouraging employees to get involved in their local communities was revised in 2021 and new guidelines were drafted and distributed. Now known as **Michelin Volunteers**, the new policy defines eligible initiatives more precisely than before, to distinguish them more clearly from the Group's business activities. It also heightens the emphasis on employee participation in such initiatives, with a **Group-wide target of 20% of employees involved in 2030**. This goal reflects the Group's active support for volunteer initiatives that benefit local communities, which serve as a vector of engagement and pride, while also helping employees to stretch their capabilities in areas different from their daily jobs. Parallel to launching the updated policy, Michelin introduced a **new reporting process for the initiatives**, based on an internal web platform which, thanks to easy access from any Michelin facility, means that a large amount of data can be acquired, which in turn facilitates data consolidation at Group level.

Reported numbers declined in 2021, reflecting both the revised approach, which narrowed the scope by eliminating certain initiatives, and the global pandemic which, for the second year in a row, curtailed opportunities for volunteering. Nevertheless, the commitment remained strong on every continent, with nearly **3,000 employees** – or 2.5% of the global workforce – participating in initiatives in every region around the planet. The main initiatives concerned health and education (30% of projects each), followed by emergency aid (11%), safe mobility (10%), diversity and inclusion (6%) and environmental protection (5%).

In all, Michelin employees donated around 12,000 hours of their time to projects that benefited some 16,000 people in local communities around the world. Examples include:

- reducing food waste in **Japan, with the savings used to purchase cereals that were donated to NGOs and distributed to poor families;**
- planting 50 empress trees to support carbon absorption and biodiversity in **Italy;**
- fundraising to finance physical therapy and education for disabled children in **India;**
- leading a program to clean up trash, plant flowers and spread mulch on the grounds of an elementary school in the **United States;**
- leading a waste collection and recycling campaign on the shores of a lake in **Russia.**

In addition, €3.3 million was donated to local communities during the year, of which approximately 10% for the fight against Covid-19.

4.1.2.5 d) The Michelin Foundation: demonstrating our corporate culture and values

€14 MILLION

allocated in 2021 by the Michelin Foundation to

104 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 has a three-tier governance system:

- **the Board of Directors**, which 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 Executive Committee members, an employee representative and three outside experts;
- **the Selection Committee**, which approves projects valued at between €5,001 and €99,999. It comprises eight members representative of the Group's operations or major corporate functions;
- **the Executive Director**, who may directly approve any project valued at €5,000 or less. He or she manages the Foundation's activities with the support of the Deputy Director and a small team.

The combined value of the 104 projects financed by the Foundation in 2021 came to nearly €14 million.

Over the past eight years, more than **520** innovative projects have emerged thanks to the support of the Michelin Foundation.

They are described on the Foundation's website, https://fondation.michelin.com/en/

Projects supported by the Michelin Foundation in **2021** included:

- **WWF Brazil**

WWF Brazil is committed to fighting deforestation and helping to preserve natural resources in the Amazon rainforest by supporting circular economy projects that benefit local communities.

- **Nova Scotia Nature Trust**

Home to extensive natural heritage, Canada is helping to preserve its Nova Scotia region through the Nova Scotia Nature Trust and the groundbreaking "Twice the Wild" program, which was supported by an urgent call for every citizen to get involved in protecting the environment and preserving biodiversity.

- **SUM4ALL**

Since 2019-2020, the Foundation has supported the Sustainable Mobility for All (SuM4All) initiative led by the World Bank, which brings together more than 55 public and private-sector organizations pursuing a shared commitment to mobility that is greener, safer, more accessible, and more efficient, particularly in the Global South.

In 2021, the Foundation sponsored a pilot SuM4All project to improve the mobility of women in South Africa, with diagnostics and an action plan to identify and attenuate gender-based discrimination.

- **ASM Omnisports**

Sports are important for health and education, as well as an essential factor in human development. These values, which are demonstrated by ASM, a pioneering health and sports club in Clermont-Ferrand, continue to be shared and supported by the Michelin Corporate Foundation.

- **La Sauvegarde de l'Art Français**

As part of the "Largest Museum in France" campaign, employees at eight Michelin plants in France sought out neglected artworks in their regions, resulting in eight being selected for restoration with the support of the Michelin Corporate Foundation.

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. Michelin also forges partnerships with local, national and international associations, in particular to support biodiversity (see section 4.1.4.3 Supporting biodiversity).

In 2021, 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 active 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, particularly in the fight against imported deforestation.

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, action principles designed to prevent any risk of a negative impact on local communities were defined 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 construction began 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.

4.1.2.5 g) Making a public commitment to supporting sustainable mobility

Transitioning to a low-carbon economy with low-carbon mobility for people and goods requires systemic change at every level of society. Recognizing that the challenges facing institutions, civil society and the private sector are collective in nature, Michelin has long been committed to bringing together a wide range of stakeholders to address such sustainable mobility issues as minimizing its environmental footprint (GHG emissions, noise and air pollution), optimizing its efficiency, protecting people's health and safety and ensuring universal access[1].

In 2021, Michelin strengthened its commitment to its various global institutional partnerships, and is now **internationally recognized as one of the leading champions of sustainable mobility, even in areas outside its core tire business**.

This active engagement raised **Michelin's visibility at headline international events** throughout the year, which, as in 2020, were forced to go virtual by the Covid-19 pandemic. These included the annual Transforming Transportation summit organized by the World Bank and the World Resources Institute in February; the 2021 International Transport Forum in May, which focused on transport innovation issues; and COP27, hosted by the United Kingdom in Glasgow in November.

Another highlight of 2021 was the **Group's decision to join the global Race to Zero campaign**, one of the main thrusts of the UK Presidency's initiatives ahead of hosting the COP26 summit. The campaign is encouraging businesses to commit to setting targets in line with a 1.5°C pathway, as defined in the latest IPCC report, so that the public and private sectors can converge in speeding the transition. In joining Race to Zero, Michelin signed the Business Ambition 1.5 campaign being led by the SBTi in partnership with the UN Global Compact, which is now acting as a core commitment in structuring its strategy.

Concerning the international institutional partnerships, the Group was reappointed as the only private-sector representative on the steering committee of the **Sustainable Mobility for All (SuM4All) consortium**, where it hopes to engage the World Bank-led initiative in results-oriented projects in the Global South. In 2021, for example, Michelin continued to support a SuM4All-managed pilot project in South Africa with the active involvement of its local teams, despite the particularly challenging health situation. In addition, the Group has directed funding from the Michelin Corporate Foundation to perform a comprehensive diagnosis of gender issues in the South African transportation system. The findings will be used in 2022 to prepare a sustainable mobility action plan, in close liaison with national authorities and with the assistance of the Development Bank for Southern Africa in raising the necessary financing.

(1) Policy goals defined by the Sustainable Mobility for All (SuM4All) Consortium led by the World Bank.

In 2021, the Michelin Group also expended its role in the ***Transport Decarbonisation Alliance (TDA)***, a coalition of the "3Cs" (Countries, Cities/Regions and Companies) that are driving the transition towards cleaner mobility with their mutual commitment to devising real-world solutions for a net-zero emissions transportation industry by 2050, particularly in the freight segment.

The freight industry and, more broadly, corporate supply chains were also the issue in Michelin's commitment, in 2021, to sustainably participate in a **community of interest led jointly by the Institute for Sustainable Development and International Relations (Institut du Développement Durable et des Relations Internationales – IDDRI)** and the Sustainable Low Carbon Transport (SLoCaT) NGO, focusing on the challenges of decarbonization and the systemic transformation of freight transportation of supply chains.

Lastly, through its Corporate Foundation, Michelin is continuing to support the initiatives undertaken by the **Transport Coalition of Climate Chance**, an association of non-state actors committed to the climate. In particular, it is backing the project to build national transport roadmaps in a number of emerging economies or countries in the Global South, such as Morocco, India, Côte d'Ivoire and, in 2021, Senegal.

The Movin'On Summit: stepping up its commitment to taking sustainable mobility from ambition to action

Created and inspired by Michelin, Movin'On is the world's leading **strategic foresight** and co-innovation ecosystem focused on sustainable mobility.

Movin'On emerged from a common vision, shared by all its members, that **mobility is the very heart of human development but it has to be sustainable.** Based on the principle that no single stakeholder can meet current or future challenges alone, Movin'On 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 more than 300 organizations from 60 different countries and, since 2021, its governance has been shared among several leading global corporations.

In 2021, Movin'On represents:

- the introduction of a shared governance structure, in a commitment to stepping up and broadening the impact of Movin'On initiatives around the world. Eleven chief executives of leading global corporations have agreed to join Movin'On's governance team alongside Florent Menegaux;
- more than 800 participants in the second edition of the Digital Meetings, which enabled partners and experts to initiate Movin'On Communities of Interest or review progress on their projects;
- a redesigned Movin'On Summit with a unique four-day phygital experience from June 1 to 4, webcast worldwide from Montreal, Paris and Singapore and attended by over 14,500 participants from 88 countries;
- the launch of the Movin'On Startup Booster, a new concept that leveraged a collaborative process and the ecosystem's powerful network to provide 12 start-ups with individual support before, during and after the Summit, aligned with each one's needs;
- the creation of "Mobility Stories," a podcast channel dedicated to sustainable mobility.

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 to plan, co-innovate and influence the mobility of the future.

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 with Movin'On LAB Communities of Interest. In 2021, 15 new Communities of Interest were established.

01 02 03 04 05 06 07 08

4.1.3 EMPLOYEE HEALTH AND SAFETY

Risks related to the health and safety of employees and contractors

Michelin directly employs more than 124,700 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 model of the machines – but also in logistics and services 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, installation ergonomics risks);
- the general working environment (heat, working at heights, psychosocial risks, and exposure to country-specific risks such as political instability, terrorism or kidnappings);
- exposure to chemicals;
- industrial accidents and natural disasters;
- handling tires.

Office-based, itinerant and sales personnel are exposed to:

- business travel risks (accidents and health risks);
- psychosocial risks, especially as working from home becomes more prevalent during resurgences of the Covid epidemic.

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.

4.1.3.1 Employee health and safety governance

The Employee Health and Safety Governance body is chaired by the Executive Vice President & Chief Personnel 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 standing members representing the Corporate Safety & Environment Department, the Corporate Internal Audit, Risk Management, Internal Control and Quality Department, the Corporate Legal Department, the Sustainable Development and Mobility Department and the Head of the Distribution business unit.

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.

4.1.3.2 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 2021 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 transformation objectives for 2030 and 2050.

The Environment, Prevention and Security Guidance Letter specifies the short- and medium-term targets for 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 set out and implemented through the Environment and Prevention Management System, which is based on the international ISO 14001 and ISO 45001 standards. Its application by every employee across the Group is delivering consistent outcomes and continuous improvement in performance. The various risks and opportunities have been identified and their impacts assessed. Prevention, protection and response procedures have been defined and implemented and are periodically assessed to manage their impacts. The entire system is regularly 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 guided by specific indicators. To manage risks, effective working methods, rule procedures and practices have been defined and are verified by an internal control process.

In recent years, a prioritized risk map has been created, based on data from standardized risk assessments conducted for every workstation.

Priorities in the annual or multi-year action plans are set based on field data and the Group's objectives and targets. The plans are supported by programs to drive continuous improvement both in existing equipment and processes and in the design of new equipment and processes.

4.1.3.3 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 2020, 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.

The health protocol developed in 2020 was extended in 2021, which maintained business continuity under appropriate health and safety conditions. Expatriates and their families were offered the possibility of repatriation to be vaccinated, while some 35,000 vaccine doses were distributed to employees where local conditions precluded effective protection.

It was left to the best judgment of local managers to apply all or some of these measures, depending on the state of the outbreak around their facility, the type of business operations and the national recommendations in effect.

Conducted in June 2021 with the support of an outside organization to measure the impact of the pandemic on Group teams, the How Are You survey showed that **employees were highly confident in the Group's ability to manage the pandemic.** The survey asked employees how they experienced the spread of the virus and whether they were satisfied with the Group's response. Very significantly, 57% of Michelin and subsidiary employees responded to the questions, exceeding the expected response rate for this type of survey. The findings were then cascaded down to all employees. The impact of the health crisis was analyzed, with a focus on the restrictions imposed by mandated precautionary measures and working from home.

The Group's effective response to virus-related issues was appreciated by 86% of respondents, with 91% considering that the deployed systems and procedures were compatible with the performance of their duties.

The analysis revealed a sense of physical and moral fatigue in the answers from 44% of the respondents, as well as a feeling of isolation when working from home for 30%, although the quality of management during the period was emphasized in 91% of the answers. Some 52% of respondents had the impression that their workloads had increased. These figures should be verified by a simplified survey over the next two years. It would be interesting and useful to track perceived workload and fatigue, which could be early signs of psychosocial risks.

4.1.3.3 a) Systematically monitoring employee health, to prevent and manage occupational illnesses

Since 2010, **the Medical Advisory Committee**, comprising 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. In 2021, the members of the Medical Advisory Committee helped to assess the psychosocial risks arising from the Covid-19 pandemic by analyzing the findings of the How Are You survey. Their insightful expertise informed the management of the pandemic 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 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 roll-out 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 in particular to reduce the occurrence of musculoskeletal disorders. To supplement the general protection measures, employees systematically wear personal protective equipment at workstations deemed at risk.

4.1.3.3 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:

- offering medical check-ups 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;
- introducing medical check-ups 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 for taking care of 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;
- offering 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. These measures, which have been in place for a number of years now, are fully aligned with the workplace health reforms supported by the French Ministry of Labor and other organizations;
- focusing special attention on the organization of work-from-home arrangements, which are becoming increasingly prevalent, whether requested by employees or made mandatory in response to the pandemic.

4.1.3.3 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 substances present in harmful process fumes and asbestos previously used as insulation or friction material.

Before any new product can 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 it is 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.

4.1.3.3 d) Improving production workstation ergonomics

Musculoskeletal disorders (MSDs) account for the majority of occupational illnesses, and 25% of health-related impairments are caused by faulty ergonomics. Since 2002, improving ergonomics has been a major focus of Michelin's health and safety policies.

The prevention of MSK disorders is taken into account at the design stage of every industrial project, so as to attenuate any potentially negative impact on working conditions over the medium term.

All of the production facilities and logistics hubs regularly update their workstation maps to identify action priorities and put in place tailored solutions.

Every year, ergonomic issues across the business base are addressed by a dedicated capital budget, which was increased by 50% to **€14.4 million** in 2021.

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 diversity, making workstations a more attractive job option, and enhancing people's well-being and motivation.

4.1.3.4 Assessing and preventing workplace safety and security risks SDG 8.8

In its **Health and Safety Declaration**, Michelin 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 d'Evaluation des Risques Professionnels), which addresses all the possible risk factors.

4.1.3.4 a) Managing workplace safety

Michelin encourages every employee to embrace a culture of accident prevention based on anticipating, analyzing, managing and mitigating health and safety risks.

Prevention and mitigation measures are structured into three main interconnected categories:

- **technical measures**, focused on five Group Safety Programs addressing the specific risks that the Group wants to reduce and manage. They are supported by prioritized responses to the most serious machinery and ergonomic risks, in liaison with the engineering departments;
- **behavioral measures**, combined into an innovative approach that heightens employee alertness and engages them to demonstrate preventive practices for themselves and their colleagues. It draws on behavioral sciences to encourage engagement through managerial leadership and the active participation of every employee (safety coalitions);
- **organizational measures**, both to support the effective management and mitigation of risks with a robust management system and to develop employee skills.

A culture of safety at work is embraced by employees across the organization, as seen in:

- the uncompromising support of managers, from the executive suite to the shopfloor;
- the dissemination and sharing of best practices and feedback;
- the corporate communication media issued by the Group;
- the programs aimed at detecting and responding to emerging risks.

Before conducting any on-site operations, outside contractors must work with Michelin to prepare a dedicated risk prevention plan addressing all the tasks to be performed under the contract.

Two indirect metrics attest to the importance of safety for Michelin employees in 2021:

- more than 18,800 Progress Ideas were implemented during the year;
- 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.), a figure that has remained unchanged since 2019.

4.1.3.4 b) Protecting employees during the pandemic

The impact of Covid-19 on international mobility

In 2021, the international mobility of Michelin employees was shaped and conditioned by the evolving Covid-19 situation. To address this risk, the security and health risks in each country were reviewed to plot out two maps, which were kept regularly updated and distributed:

- a four-level security risk map, which was the process already in place;
- a two-level health risk map showing countries with low virus circulation in white and countries with high virus circulation in purple.

These criteria were used by Group Security to assess any requested travel plans.

Employees continued to travel internationally and take up expatriate assignments, with their trips managed in compliance with a new protocol prepared by Group Security.

In a streamlined crisis management process, Group Security issued weekly situation updates in liaison with the regional security managers, assessing the epidemic's impact on the Group and then adjusting security rules and protocols as needed and ruling on the appropriateness of travel.

Health and safety aspects

Regardless of the country of destination, all travelers were strongly recommended to get fully vaccinated against Covid-19. To counter potential security risks, the constant surveillance of the international situation was strengthened over the year.

Expatriates

The same precautionary principles were applied to the safety of expatriates and their families, who all had to be fully vaccinated before departure under the supervision of the health department.

In April 2021, the spread of the epidemic and the lack of hospital beds in India prompted the Group to repatriate its expatriate staff to their country of origin. They returned to India in early October, once the situation had returned to normal.

Group events

Guidelines for organizing events during the Covid-19 epidemic were prepared in conjunction with the Corporate Engagement and Brands Department (DCEM) and distributed to the operating regions and units.

4.1.3.4 c) Measuring and tracking occupational accidents

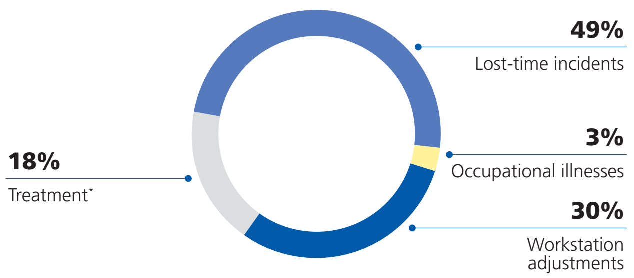
In 2021, a review of the consolidated, Group-wide data for the year enabled management, the ergonomist and the occupational medicine team to prepare effective health and safety improvement plans. Information, awareness-building and training programs continued to be conducted with the designated health and safety experts in every region and time zone.

Since 2018, the TA+ indicator has tracked 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, which meets once a month with ergonomics experts from the Safety Department and the Group physician after monthly indicator data have been reported. The TA+ indicator has steadily improved, standing at 0.67 in 2021.

During the year, there were no fatal workplace accidents in any facilities operated by Group companies.

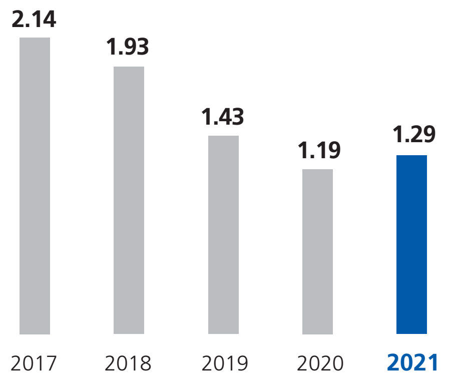
Consolidated TCIR[(1)] increased to 1.29 in 2021 from 1.19 the year before. Despite the challenging conditions, the pandemic's impact on accident rates was favorable in 2020, due to extensive furloughing, but unfavorable in 2021, whose underperformance was caused by crisis management issues rather than the deployment of preventive measures. Manufacturing operations continued to improve, with their annual TCIR falling below 1.00 for the first time. On the other hand, Distribution, a major contributor to Group TCIR, has not yet delivered the expected improvements.

ANALYSIS OF 2021 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 achieve TCIR of below 0.75 in 2025 and below 0.5 in 2030 (including temp agency workers).

(1) *Total Case Incident Rate: the number of accidents and cases of occupational illness recorded per 200,000 hours worked.*

4.1.3.5 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[1] survey continues to demonstrate that employees would generally like to enjoy a better balance between their personal lives and work.

4.1.3.5 a) Adjusting working hours

Extensive adjustments in response to the Covid-19 crisis

Although initiatives to adjust employee working hours were pursued in 2021, 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. Thanks to the Group's IT resources, the quality of its IT infrastructure and the opening of remote access to secure applications, these solutions were 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 4.1.3.3 Safeguarding employee health/ Responding to Covid-19 with an effective health protocol).

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.

Adjusting office work schedules

Local initiatives to encourage telecommuting are still being promoted. People working from home 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.

In France, as part of its commitment to diversity, 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 b).

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.

2.8% of employees opted to work part-time in 2021.

PART-TIME EMPLOYEES BY GENDER

	Women		Men		Total	
	2021	2020	2021	2020	2021	2020
Production operators	5.2%	6.0%	2.3%	2.7%	2.7%	3.1%
Administrative and technical staff and supervisors	6.7%	7.4%	1.4%	1.3%	3%	3.1%
Management staff	5.4%	6.4%	0.84%	0.8%	2%	2.2%
GROUP TOTAL	**5.9%**	**6.7%**	**2%**	**2.2%**	**2.8%**	**3%**

(1) See section 4.1.2.3 a) An assertive social dialogue process/Listening to employees via the annual engagement survey.

4.1.3.5 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 2021, 77% of the 88,000 respondents to the Moving Forward Together survey were satisfied with their quality of worklife. 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%.

4.1.3.5 c) Psychosocial risks: adapting preventive measures to local cultures

Since 2020, the Covid crisis has become one of the most important concerns in organizing the workplace, both on the shopfloor and in offices.

The massive shift to working from home in response to the pandemic, for example, brought to the foreground a number of risks for certain employees that were less noticeable in the past, such as feelings of isolation and difficulties in maintaining a satisfactory work-life balance. In this context, the findings of the How Are You survey took on new meaning. Their credibility was heightened by the excellent response rate in the various facilities around the world, but this also meant that they were not comparable to the results of the usual Moving Forward Together survey.

Some 86% of How Are You respondents praised the responsiveness and quality of the company's handling of Covid-related issues.

In a commitment to safeguarding employees from the psychosocial effects of stress and harassment, a variety of programs aligned with local needs and regulations have been deployed to provide:

- **primary prevention,** through reviews, sensitivity training and initiatives to improve the quality of management. These measures, which help employees to protect themselves and improve managers' ability to detect and respond to at-risk situations, have been rolled out in most of the Group's host countries (North America, Spain, France, Hungary, Poland, Romania, the United Kingdom and Serbia);
- **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. 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 streamlining corporate operating procedures, employees at the facilities in Clermont-Ferrand, particularly the head office and the research center, were able to attend personal or group support sessions in 2020 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, with 90% of respondents expressing pride in the quality of Michelin-delivered services.

The pandemic did not impact employee perception of safety in the workplace, with 86% of respondents feeling safe, virtually the same as in 2020. The percentage of employees feeling that workplace stress was manageable was also stable for the year, at 71%.

The impact of digital technologies on employees

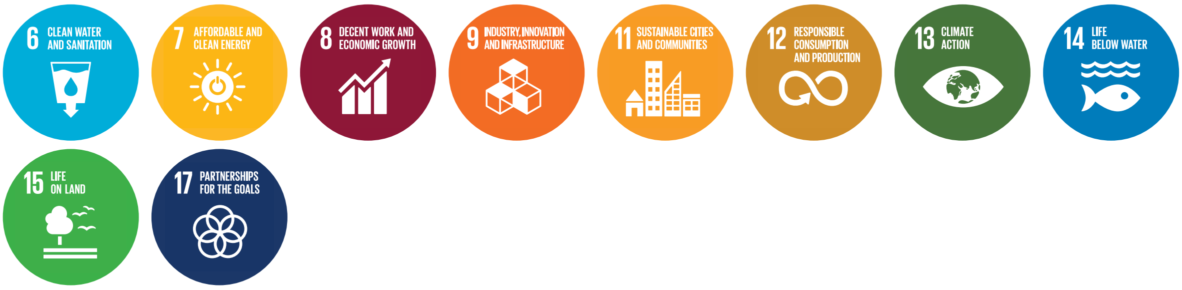
In 2020, the Plein Sens consulting firm conducted a study on how changes wrought by the use of digital technologies are introduced to and experienced by employees.

In 2021, the findings were cascaded across the country organizations and practical initiatives were launched. Examples include tasking a project team member with providing training and support during projects involving digital technology (in Poland) and assigning local "digital partners" to support production operators in using InTouch, Digital MQP and other existing digital applications (in Romania).

In addition, three half-day sessions were devoted to raising awareness of digital culture among members of the Michelin European Works Council with:

- a presentation of the training/development resources available to employees (platforms, training curricula, modules, etc.) to support digital acculturation in the Company;
- hands-on training for members in the use of digital communication and remote working software (Microsoft Office, Teams, etc.);
- a presentation of the "Digital Manufacturing" transformation with examples of tools and applications in the production plants.

4.1.4 THE ENVIRONMENT

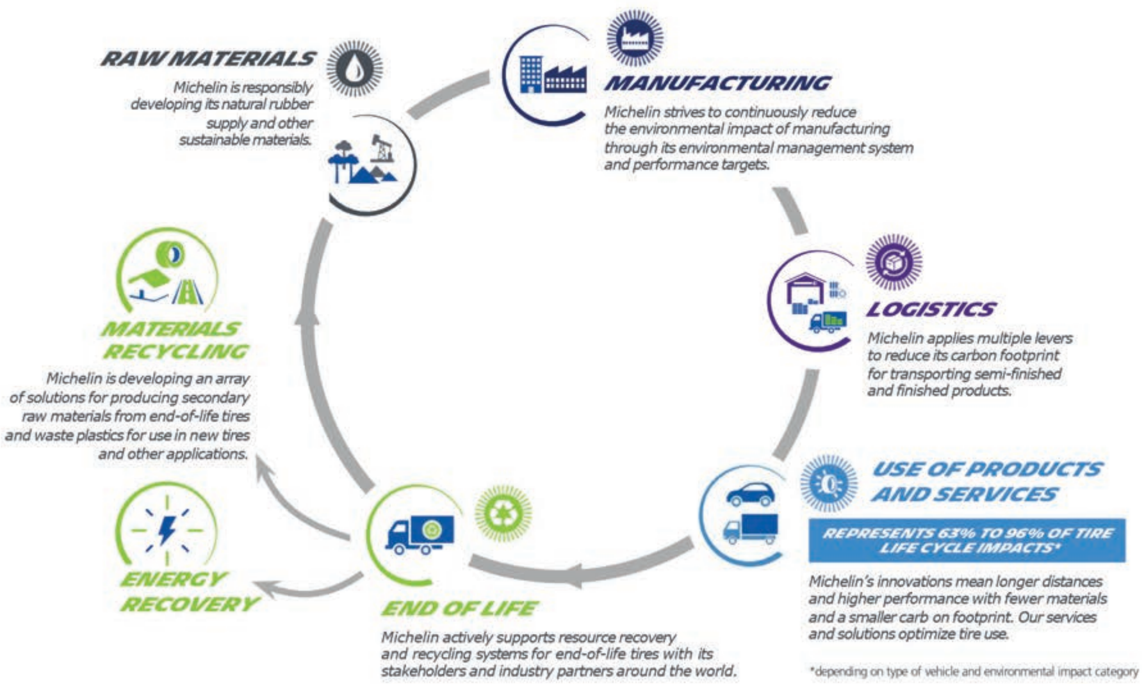


Respect for the environment is one of Michelin's five core values, as expressed in 2002 in the "Michelin Performance and Responsibility Charter" and reaffirmed in 2012 in "Michelin Performance and Responsibility: A Better Way Forward".

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.

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.

THE LIFE CYCLE OF A TIRE



In response, Michelin has deployed policies to attenuate the risks arising from the environmental footprint of its products, services and business operations (purchasing, manufacturing and supply chain), towards mitigating climate change. Targets for improvement have been set and performance indicators have been introduced in all these areas.

In 2020, the Group's commitment was expressed in the preparation and publication of the new Michelin Environmental Policy, which is designed to manage pollution risks and draw down its environmental footprint to total neutrality. 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 underway in the different business segments with the Group's environmental goals and its 3P-based all-sustainable vision.

In addition, the Group is actively supporting the circular economy through the "Michelin 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, which do not have any manufacturing operations and whose environmental impact is estimated at less than 5% of the Group total.

ENVIRONMENTAL GOVERNANCE

The Environmental Governance body is chaired by the Executive Vice President, Manufacturing, and the Executive Vice President, Research and Development, who are both members of the Group Executive Committee. Led by the Group Environment and Prevention Director and coordinated by the Sustainable Development Director, the body also comprises 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 Information Systems Security, Security, Health & Safety 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, watching for weak signals, assessing emerging risks and identifying opportunities to reduce environmental impacts[1].

4.1.4.1 Climate strategy SDG 13.1, 13.2 and 13.3

Climate change risks

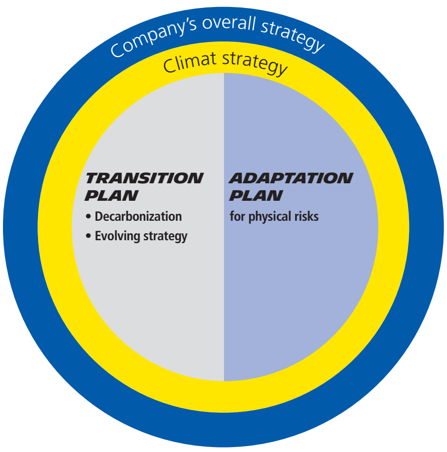
Climate change poses a multitude of risks, which require concerted action by all of society, including public authorities, businesses and consumers. **The Michelin Group's main risk factors concern the climate change impacts from the Group's operations (Scopes 1 and 2), from the use of its products (Scope 3)**[2] **and from its suppliers' operations (Scope 3)**[3]**, as well as the physical impacts of climate change on the Group's business.**

These risk factors have been identified as the main risks either by the Group[4] or by the materiality analysis of non-financial risks[5]. The policies, objectives, levers for action and indicators in place to mitigate these risks have been integrated into the Transition Plan and the Adaptation Plan described below.

The Group's climate strategy is organized around two key outcomes. First, a transition plan includes both initiatives to decarbonize direct and indirect activities in the value chain (Scopes 1, 2 and 3) and a resilient strategic plan to support a low-carbon economy. Second, an adaptation plan to prepare for the physical impacts of climate change.

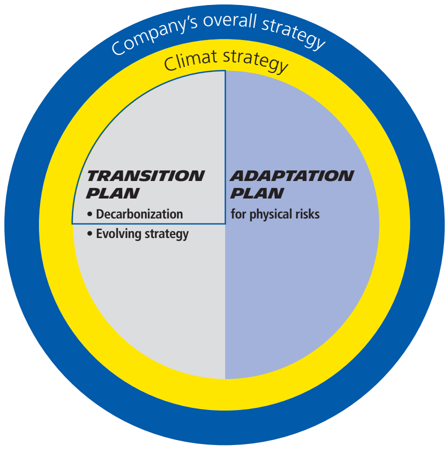
The strategy is informed by three principles:

- achieve net-zero emissions by 2050 by fulfilling our external emission reduction commitments by 2030;
- identify risks and opportunities based on climate change scenarios;
- transparently disclose the information expected by our external stakeholders.



(1) See section 4.1 Michelin Sustainable Development and Mobility Report/Governance/Oversight by the Group Management Committee.
(2) See section 4.1.4.1 b) Transition plan: company strategy/Opportunities and risks/Designing ultra-energy efficient products.
(3) See section 4.1.4.1 a) Transition plan: decarbonizing our operations/Scope 3: reducing emissions from purchased raw materials and components.
(4) See section 2.1 Risk factors specific to Michelin, description and related management systems/Risk 1 – Inadequate management of environmental impacts/Risk 4 – Physical impacts of climate change.
(5) See section 4.1 Sustainable Development and Mobility Report/Materiality matrix.

4.1.4.1 a) Transition plan: decarbonizing our operations

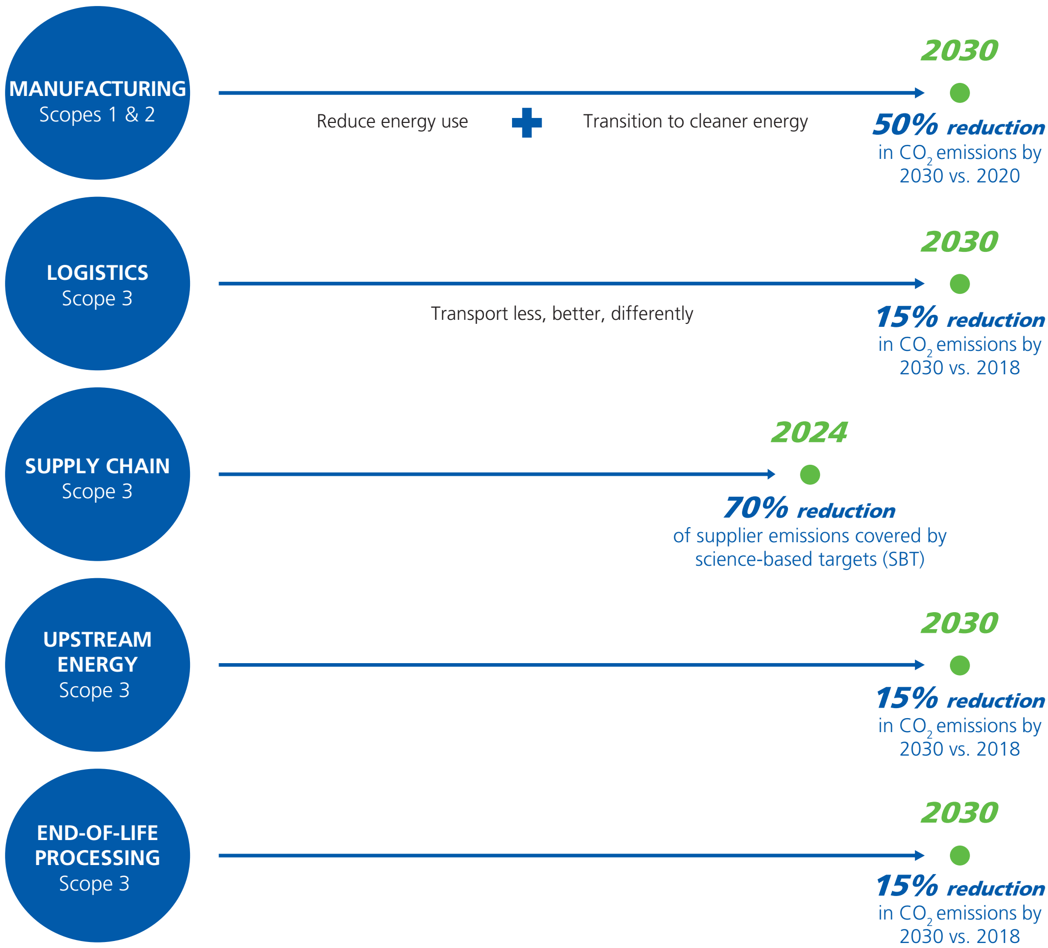


As part of its decarbonization plan, Michelin aims to become carbon neutral by 2050[1] in Scopes 1, 2 and 3[2], with a priority focus on reducing emissions from:

- **all its production plants;**
- **its logistics operations;**
- **its supply chain with its raw materials and components vendors.**

The Group has defined five intermediate milestones, which are presented below.

In July 2021, Michelin joined the "Race to Zero" campaign, answering the call to action led by the Science Based Targets initiative (SBTi), the United Nations Global Compact and We Mean Business and committing to reach net-zero emissions by 2050. The five milestones are aligned with this process.



(1) *For a company, carbon neutrality is achieved by (i) reducing carbon emissions from its own operations and the operations of its value chain to as close to zero as possible and (ii) over the longer term, preparing carbon capture solutions to offset any residual emissions. As such, the term "carbon neutrality" is the same as the "net zero emissions" defined by the Intergovernmental Panel on Climate Change (IPCC).*

(2) *Excluding the in-use phase, see section 4.1.4.1 a) Transition plan: decarbonizing our operations/Scope 3: reducing emissions from our logistics operations/ Scope 3: reducing emissions from purchased raw materials and components/Scope 3: upstream purchased energy and end-of-life treatment of sold products.*

The Group's carbon footprint

Michelin regularly updates its inventory of CO_2 emissions from its activities in accordance with the Greenhouse Gas Protocol[1], which defines three scopes of reporting based on emissions source. The inventory covers companies controlled and consolidated by the Michelin Group, as defined in the financial consolidation principles. 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.

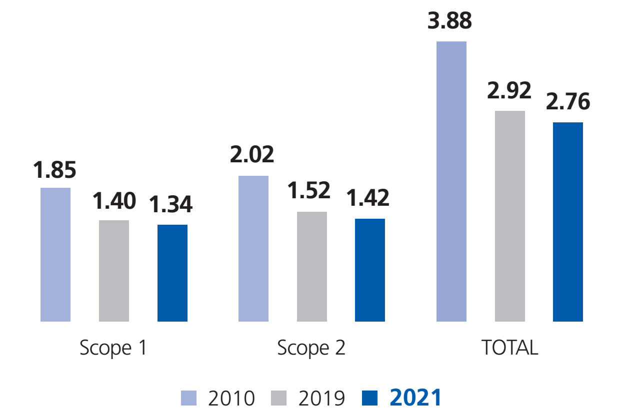
INVENTORY OF SCOPE 1, 2 AND 3 CO_2 EMISSIONS

Scope	Inventory *(millions of tonnes of CO_2)*	Year	Group sources covered by the inventory	Comments
SCOPE 1	1.35[2]	2021	CO_2 emissions from the boiler houses at production and R&D sites	Michelin controls the assets at which energy is used, thus generating CO_2 emissions.
SCOPE 2	1.42[2]	2021	CO_2 emissions from generating the electricity and steam used by the production and R&D sites	The change in emissions volumes in 2021 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 3 REQUIRED	17	2021	CO_2 emissions from the relevant activity categories corresponding to the Group's value chain (see Breakdown of Scope 3 CO_2 emissions by category)	Michelin's ability to influence activities in the value chain varies by category. The tonnage is an estimate, with the margin of uncertainty ranging from ±10% to ±30%, depending on the category. As a result, it is not yet possible to present reliable data on how these estimated emissions evolve over time. GRI 305-3: Other indirect (Scope 3) GHG emissions.
SCOPE 3 OPTIONAL	127	2021	Indirect CO_2 emissions from sold tires in use	Thanks to its research and development expertise, Michelin has a significant impact on vehicular CO_2 emissions through the energy efficiency of its tires[3]. Inventoried tires include all passenger car, light truck, heavy truck and bus tires intended for on-road use, but not two-wheel tires, which account for less than 1% of emissions. The reported figure's margin of uncertainty is estimated at ±30% due to the assumptions concerning the number of vehicles fitted with tires sold worldwide by the Group (whether their powertrains are internal combustion or electric), the distance traveled over the reporting year and the lifespan of the sold tires.

(1) See Methodology/The Group's carbon footprint.
(2) See section 4.1.4.4 b) Reducing the environmental footprint of the production plants/Summary table of environmental data – Group.
(3) See section 4.1.4.1 b) Transition plan: company strategy/Opportunities and risks/Designing ultra-energy efficient products.

CHANGE IN SCOPE 1 AND SCOPE 2 CO_2 EMISSIONS[(1)] (MARKET-BASED)

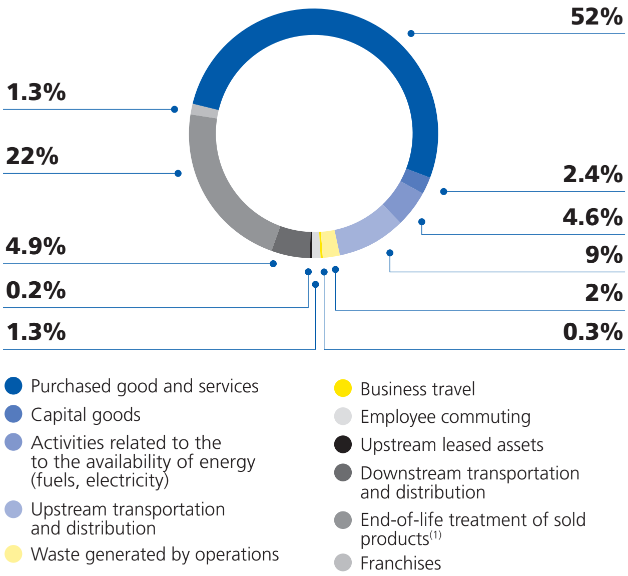
(millions of tonnes of CO_2)



(1) *2010 Scope 2 emissions were recalculated following the change in method in 2015 (see section 4.1.4.4 b) Reducing the environmental footprint of the production plants/Recalculation of 2010 emissions based on differentiated emission factors for purchased steam).*

Erratum: The published 2020 data contained a mistake in the breakdown between Scope 1 and 2 emissions. The 2020 emissions amounted to 1.20 million tonnes in Scope 1 and 1.26 million tonnes in Scope 2 (instead of the published 1.01 and 1.46), for a correct total of 2.46 million tonnes for the year. The corrected figures were reported in the 2021 CDP questionnaire. However, 2020 data were not used in this document because the year was not representative of a normal operating environment. It is therefore unsuitable as a base year for measuring progress. The baseline figures are from 2010 and 2019.

BREAKDOWN OF REQUIRED DISCLOSURE SCOPE 3 CO_2 EMISSIONS BY CATEGORY



(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 tonnes of CO_2 were avoided. By not using new raw materials, including petroleum derivatives, the recovery and recycling of end-of-life tires helps to avoid emitting CO_2.*

Scopes 1 and 2: reaching net zero emissions in manufacturing operations by 2050

OUR AMBITIOUS OBJECTIVES:

To help mitigate climate change:

- Michelin has been measuring and steadily reducing its CO_2 emissions since 2005;
- the Group aims to achieve, by 2050, net-zero carbon 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 below 1.5°C[(1)];
- 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.

Note

In May 2020, the SBTi approved the following greenhouse gas emission reduction target for Scopes 1 and 2, which is consistent with the below 2°C global warming scenario:

- the Group has pledged to reduce its Scope 1 and 2 greenhouse gas emissions by 38% in absolute value by 2030 compared with the 2010 baseline[(2)].

Since then, the more ambitious targets described above have been defined.

OUR LEVERS FOR ACTION:

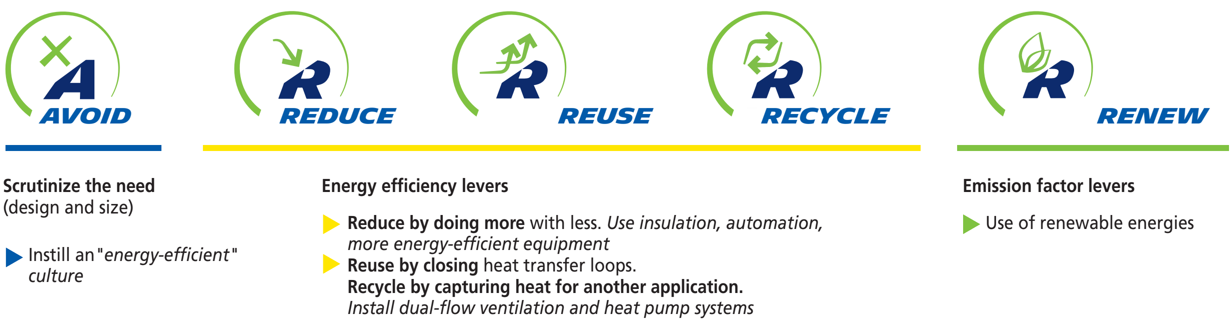
The emissions reduction program is built around two major processes:

- consuming less (energy efficiency);
- consuming better (energy transition).

(See section 4.1.4.4 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 "prioritizing hierarchy of drivers," applicable to every project impacting the energy consumption of its production plants.

THE PRIORITIZING HIERARCHY OF DRIVERS

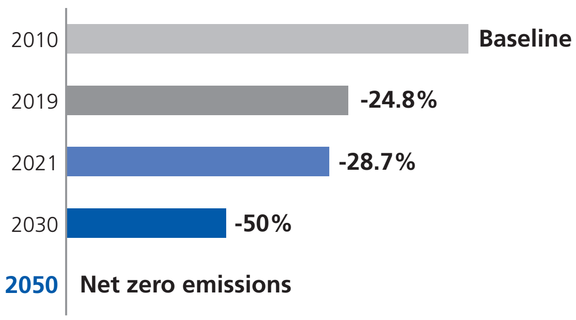


- ***Key performance indicator:** tonnes of CO_2 in absolute value and in gigajoules per tonne of semi-finished and finished product.*

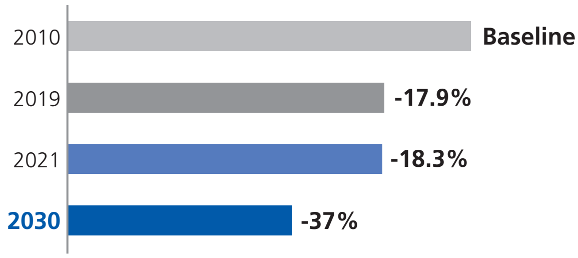
(1) In model pathways with no or limited overshoot of 1.5°C, global net anthropogenic CO_2 emissions decline by about 45% from 2010 levels by 2030 (40-60% interquartile range), reaching net zero around 2050 (2045-2055 interquartile range). IPCC Special Report: Global warming of 1.5°C.

(2) The target covers carbon emissions and absorptions from biogenic sources and biomass burned as fuel.

CO_2 EMISSIONS FROM PRODUCTION PLANTS
(millions of tonnes of CO_2)



ENERGY EFFICIENCY OF PRODUCTION PLANTS[1]



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 incorporated an internal carbon price 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[2].

In 2021, the carbon price was raised from €50 to €100 a tonne.

Carbon quota systems

In European Union countries, direct CO_2 emissions from the 15 Group facilities that operated boilers with over 20 MW capacity in 2021 are subject to allowances issued under the EU's Emissions Trading Scheme (ETS). In 2021, with the start of phase 4 of the system, free allocations of allowances to the Group's plants fell sharply, to just 23% of requirements from 76% in 2020. Since 2017, the Group has gradually purchased allowances on the market, which are covering returns from the plants and smoothing the related costs.

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 2013-2021 period, overall 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, 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.

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[3].

Scope 3: reducing emissions from our logistics operations

OUR OBJECTIVE:

The corporate Supply Chain Department has set an ambitious objective: **to reduce CO_2 emissions from logistics operations, in tonnes, by 15% between 2018 and 2030.** This objective is in line with the commitments made to the SBTi and covers the supply of natural rubber to the production plants, the inter-plant transportation of semi-finished products, customer deliveries and warehouse operations.

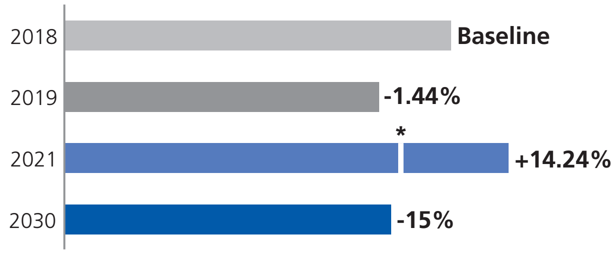
- ***Key performance indicator:*** *tonnes of CO_2 in absolute value.*

(1) Until 2020, the energy efficiency indicator was reported per tonne of finished product. With i-MEP, as indicated in the section on methodology at the beginning of Chapter 4, the performance ratio is expressed per tonne of total manufactured output of both finished and semi-finished products. The 2010 value of total gigajoules per tonne, which was not tracked at the time, has been recalculated and presented here for reference. The recalculation was based on the fact that the proportion of semi-finished products in total output remained relatively constant between 2010 and 2019 and that the energy efficiency programs targeted all forms of energy used in the production plants.

(2) See section 4.1.4.4 c) Reducing energy use and greenhouse gas emissions/Improving energy efficiency.

(3) See below: Carbon pricing.

CO_2 EMISSIONS FROM LOGISTICS OPERATIONS
(millions of tonnes of CO_2)



* -13.4% excluding exceptional airfreight shipments

CO_2 emissions are measured using the Smart Freight Center application, which complies with the latest calculation standards and recommendations issued by international organizations. It supports the deployment of a sustainable, reliable, data-consistent approach in every host region.

CO_2 emissions from logistics operations stood at 1.321 million tonnes in 2018[(1)]. In 2020, they came to 1.166 million tonnes, an 11.7% decline from 2018 that reflected the drop in production output in the wake of the health crisis.

CO_2 emissions further declined in 2021, to 1.141 million tonnes, excluding exceptional airfreight shipments. This corresponded to a 13.4% reduction from 2018 with only slightly lower sales volume (down 2.6%). This performance was led by the steep 30% reduction in tonnages carried to the United States, stemming primarily from supply chain streamlining, and by the 5.5% decrease in the maritime container shipping of finished and semi-finished products due to the temporary insourcing of certain products.

Structural improvements in efficiency delivered encouraging results, with the "tonne of CO_2 released per tonne sold" indicator declining by 11% between 2018 and 2021 as a result of initiatives to activate the three strategic levers: **transport less, transport better and transport differently.**

Worldwide, however, and including the exceptional airfreight shipments, CO_2 emissions amounted to 1.510 million tonnes for the year, or 14.24% higher than the 2018 baseline. This significant increase reflected the use of airfreight to overcome supply chain disruptions caused both by the Covid crisis and shortages of maritime shipping capacity. Using airfreight has a significant impact on the carbon footprint, but it is a temporary stopgap that does not reflect long-term performance.

OUR LEVERS FOR ACTION:

Transporting less, the fundamental lever

The resulting analytics help 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 2021, this ratio improved by 9.5% year-on-year, excluding exceptional airfreight shipments, mainly due to the elimination of certain semi-finished product deliveries in Europe and North America. For example, the Spanish plants locally sourced a raw material previously shipped in from Eastern Europe, thereby avoiding the attendant CO_2 emissions.

Transporting better, an operational lever

The second lever consists of 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. LABS set up with European carriers over the year to explore People, Profit and Planet initiatives helped to nurture their close collaborative relationship with the service providers and broaden their perspective on the deployment of solutions to reduce their environmental impacts. 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, trials were pursued 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. New solutions are constantly being developed and deployed to expand the existing system. In Europe, for example, a rail link was opened between Romania and Germany, which helped to avoid some 500 tonnes of CO_2 during more than 550 trips in 2021. In Brazil, using river barges instead of trucks to and from the Manaus plant saved 250 tonnes of CO_2 in 2021.

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 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. In South America, for example, Michelin teams have worked with Saint Gobain teams to facilitate the roll-out of innovative transportation solutions with lower environmental impacts.

(1) Note: the above 2018 figure differs from that published in the 2020 Universal Registration Document due to adjustments in calculation assumptions for Europe.

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, a France Supply Chain working group brought together more than 12 shippers and 23 carriers with the goal of deploying 100 hydrogen-powered trucks by 2024-2025. The group helped us to understand every aspect of this new technology and to bring on board an entire ecosystem, spanning range, vehicle uptime, recharging infrastructure and maintenance servicing. In Canada, a transportation contract was signed to ship products outbound to Europe on a cargo vessel powered mainly by sail in 2025.

Scope 3: reducing emissions from purchased raw materials and components

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 indirect greenhouse gas emissions was updated in 2021. Emissions from purchased goods and services (Scope 3, category 1 in the Greenhouse Gas Protocol, which excludes emissions related to purchased logistics services) represent around half of all Scope 3 emissions excluding the in-use phase (i.e., excluding category 11).

Given that raw materials account for around 90% 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 Carbon Disclosure Project (CDP) initiative

The CDP provides a comprehensive system for 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 measure and disclose their greenhouse gas emissions and to develop strategies to reduce them.

Conducted in 2018 and again in 2020 and 2021, the campaign will be held annually going forward. Of the 84 raw material suppliers asked to submit data in 2021, 92% responded. Together, they represented 72% of the emissions from the Group's purchased goods and services and approximately 56% of raw materials and natural rubber spend. In addition, 56% of the responding suppliers scored B- or higher, indicating that their emissions abatement systems were fairly mature. In 2021, the CDP recognized the Michelin Group's ability to engage its suppliers in reducing carbon emissions with a CDP Supplier Engagement Leader award.

CDP SUPPLY CHAIN MEMBER

CDP SUPPLIER ENGAGEMENT LEADER 2021

PERCENTAGE OF RAW MATERIAL SUPPLIERS RESPONDING TO THE CDP (VS. TOTAL EMISSIONS FROM PURCHASED GOODS AND SERVICES)

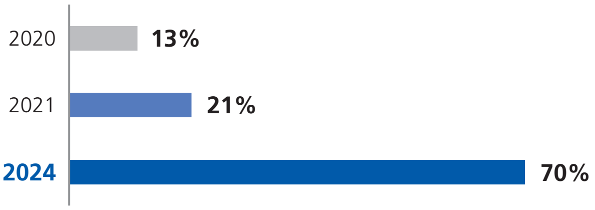
Purchased goods and services: emissions reduction targets

OUR OBJECTIVE:

In 2020, the SBTi approved the Group's environmental targets, including one relating to purchased goods and services, i.e., that suppliers representing 70% of greenhouse gas emissions from purchased goods and services (Scope 3, category 1) will have set science-based reduction targets by 2024.

- ***Key performance indicator:*** *percentage of CO_2 emissions from suppliers of purchased goods and services (Scope 3, category 1) that have set science-based greenhouse gas emission reduction targets for 2024.*

PERCENTAGE OF EMISSIONS FROM PURCHASED GOODS AND SERVICES SOURCED FROM SUPPLIERS WITH SCIENCE-BASED TARGETS



Logistics

Significant progress has been made in addressing CSR issues in logistics purchases, with, for example, the requirement that tender bids include green alternatives and the introduction of an application (EcoTransIT) that more accurately determines the greenhouse gas impact of our transportation purchases[(1)].

Energy

Purchases of electricity from renewable sources have been increasing in recent years, and for any energy procurement project, suppliers are now required to propose renewable energy solutions[(2)].

Scope 3: upstream purchased energy and end-of-life treatment of sold products

The Scope 3 CO_2 emission reduction targets approved by the SBTi include two indirect operations in the value chain, as defined by the GHG Protocol:

- the extraction, production and transportation of fuels, purchased or acquired by a company or consumed in the generation of electricity, steam, heating or cooling used by the company (emissions from the use of these fuels to generate secondary energy is inventoried in Scopes 1 and 2;
- end-of-life treatment of sold products.

OUR OBJECTIVE:

Reduce CO_2 emissions, in tonnes, by 15% between 2018 and 2030.

- ***Key performance indicator:*** *tonnes of CO_2 in absolute value.*

OUR LEVERS FOR ACTION:

- **gradually phasing in renewable sources for upstream energy needs**, which is being planned and managed to meet the Group's Scope 1 and 2 objectives[(3)]. This is based on the assumption that the upstream generation and delivery of fuel from renewable sources or of purchased renewable energy are generally less energy intensive and therefore release less CO_2 than fossil fuels/energy;
- **supporting lower carbon end-of-life product recovery and recycling solutions** and deploying circular economy models.

OUTCOMES IN 2021:

Upstream energy

Initiatives to support the purchase of renewable energy for the Group's sites continued apace in 2021[(4)]. Their outcomes to date will be disclosed later as part of the review of the SBTi reduction targets.

End-of-life treatment of sold products[(5)]

The recovery and reuse of materials from end-of-life tires raises a number of technological, organizational and financial challenges. To overcome them, Michelin has launched two major projects.

- **BlackCycle**[(6)], an EU-funded research project launched in 2020 that is developing technologies to recover high-quality secondary raw materials from scrap tires. These raw materials could be used not only by the tire industry, but also in other technical applications, by closing resource loops and supporting the development of a circular economy. Initial projections from the project show a one-kilogram reduction in CO_2 releases for every kilogram of substituted material.
- **Joint call to action by Michelin and Bridgestone** in November 2021 to enrich the recycling ecosystem for end-of-life tires and promote the circular economy within the rubber industry. The two global tire leaders hope to enable and increase the use of carbon black recovered from recycled tires. Michelin and Bridgestone are working together to lead this transition by defining strict technical standards, harmonizing government regulations and policies, building a coalition of partners and promoting processes that can be upscaled in recycling ecosystems.

In addition, Michelin is actively pursuing the implementation of business models based on the recycling of tires and plastics[(7)].

(1) *See section 4.1.4.1 a) Transition plan: decarbonizing our operations/Scope 3: upstream purchased energy and end-of-life treatment of sold products.*
(2) *See section 4.1.4.4 c) Reducing energy use and greenhouse gas emissions/Purchasing electricity from guaranteed renewable sources.*
(3) *See above Scopes 1 & 2: reaching net zero emissions in the manufacturing operations by 2050.*
(4) *See section 4.1.4.4 c) Reducing energy use and greenhouse gas emissions.*
(5) *State-of-the-art carbon accounting does not yet enable the emissions impact of our end-of-life treatment initiatives to be reliably measured.*
(6) *BlackCycle brings together seven industrial partners, five research & technological organizations (RTOs) and an innovation cluster as part of a European consortium in five countries (EU Grant Agreement No 869625).*
(7) *See section 4.1.4.2 d) The Michelin 4R circular economy process/Recycle.*

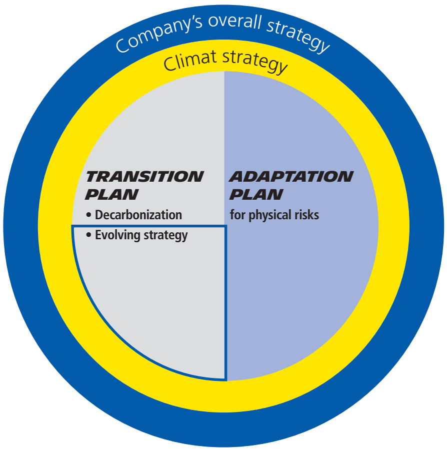
Investing in socially responsible carbon credits

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 €5.5 million.

In 2021, four projects generated 107,414 carbon credits for the Group, corresponding to 107,414 tonnes of avoided CO_2 and representing twice as many credits as it was allocated in 2020. The first project involved planting various species of cash crops such as rubber trees, cardamom, coffee and cocoa, in remote areas of Guatemala to offer local farmers more diversified sources of income. A second NGO restored a mangrove forest in India, which fertilized the surrounding cropland, revitalized biodiversity in the estuary and provided additional economic and nutritional value to local communities. The other two projects involved the installation of 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. The project in Burkina Faso also raised awareness of regenerative farming practices among rural villagers.

4.1.4.1 b) Transition plan: company strategy



Offering the most efficient mobility solutions without compromising on safety is the very heart of Michelin's past, present and future positioning, as reflected in products that lead the market in energy efficiency, CO_2 emissions abatement and long-lasting performance. As part of its strategic plan, the Group is continuing to innovate to support the transition to low-carbon mobility for people and goods, 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-driven innovation and, notably, the development of the hydrogen mobility industry.

Analyzing climate scenarios

The Group's strategic plan, which includes the abovementioned contributions to carbon neutrality for our customers and downstream users, was reviewed in 2021 based on the Executive Committee's analysis of four climate scenarios. Co-constructed with international transition experts, these scenarios reflect a pathway to increases in the global mean surface temperature ranging from 1.7°C to 4.4°C before the end of the century, based on contrasting, yet plausible, assumptions for 2035. The scenarios are distinct, however, with each one featuring:

- a qualitative narrative built around both planetary boundaries and a range of desirable and undesirable, complex and paradoxical factors, covering political, technological, socio-economic and legal/regulatory issues;
- quantitative Kaya identity indicators (global population, GDP per capita, energy intensity and carbon footprint of consumed energy) and a set of public indicators representative of each scenario that enable us to identify their implications and assess their materiality over time;
- a global map displaying the scenario or blend of scenarios deemed most likely for each country.

A diagnosis was performed by comparing aspects of the Group's strategic plan with each scenario's conditions and context, with an eye to preparing the business to successfully respond to future transitions. Analysis of the climate scenarios resulted in (i) adjustments to the opportunities to be explored, the innovation priorities, the implementation timeframe for the reviewed aspects of the strategy and the projected geographic footprint of our business operations, and (ii) a base of strategy fundamentals, including connectivity, partnerships and a set of trends that are favorable as concerns vehicle fleets, urban mobility, micromobility and intermodality and unfavorable as concerns environmental degradation. In addition, a number of awareness-raising and ideation workshops are being conducted with Group units around the world, enabling them to constantly align their tactical plans with our collective understanding of these issues.

Opportunities and risks

Climate change opportunities and risks are presented below and in the physical risks adaptation plan (see section 4.1.4.1 c Adaptation plan: responding to the physical risks of climate change).

Designing ultra-energy efficient products

Using a tire on a vehicle requires additional energy that, in an internal combustion vehicle, entails the burning of fuel and therefore the release of greenhouse gases.

OUR COMMITMENT:

Improve the energy efficiency of tires by 10% in 2030 compared to 2020.

- ***Key performance indicator:*** *improvement in the rolling resistance of Passenger car, Light truck and Truck tires compared with the 2020 baseline, weighted by sales tonnages in the reporting year.*

In 2021, Michelin improved the energy efficiency of its products by 0.5% compared to 2020. The reduction in the rolling resistance of the Passenger car, Light truck and Truck tires sold by the Group in 2021 saved the equivalent of around 3.4 billion liters of fuel over their useful lives, thereby avoiding the release of some 8.7 million tonnes of CO_2 compared with 2010 tires[1].

OUR LEVERS FOR ACTION:

Reduce the rolling resistance of Passenger car, Light truck and Heavy truck tires.

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.

Over the past 20 years or more, Michelin has improved the fuel efficiency of its tires by more than 20%, without ever compromising on safety or longevity. Over the next decade, it is committed to maintaining its leadership by continuing to improve this performance.

In 2021, Michelin launched two new tire ranges, the MICHELIN e.Primacy and the MICHELIN Pilot Sport EV, whose life cycle assessments (LCAs) were disclosed in an Environmental Product Declaration (EPD). The EPD, which was certified by Veritas and is available online at environdec.com, enables the tire industry to transparently report comparable environmental performance data over a product's entire life cycle.

On average, driving on MICHELIN e.Primacy tires reduces a vehicle's fuel consumption by 0.2 l/100 km and its CO_2 emissions by 5 g/km, which throughout the life of the tire represents 174 kg in avoided CO_2 emissions. For drivers of electric vehicles, this record energy efficiency translates into 7% longer range. MICHELIN Pilot Sport EV is the first tire specifically designed for electric sports cars. These two new lines illustrate Michelin's commitment to serving the growing demand in this market with eco-designed tires.

Every Michelin tire family is "made to last," delivering real financial and environmental value to consumers with their durability, their totally safe, long-lasting performance down to the final kilometer, and their contribution to reducing CO_2 emissions and improving fuel efficiency.

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. This performance is being upheld by the latest generations, with the MICHELIN CrossClimate 2 tire, introduced in 2021, and the MICHELIN CrossClimate2 SUV launched in 2022.

Following on from the MICHELIN Primacy 4, brought to market in 2018, the MICHELIN Primacy 4+ delivers excellent lifespan performance[2] and is best-in-class in wet braking when worn[3], thereby enabling consumers to use their tires as safely and for as long as possible.

In Truck tires, a myriad of technological advances is delivering 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.

(1) *Emissions avoided resulting from the improvements in rolling resistance since 2010; i.e., the difference between the CO_2 emissions from the use of tires sold in 2021 and the CO_2 that would have been released if the 2010 tires had been used in 2021.*

(2) *Longevity: External tests conducted by Dekra Test Center, at Michelin's request, in July 2021, on the 205/55 R16 91V size fitted on a VW Golf comparing the MICHELIN Primacy 4+ tire (31,246 km) to its competitors, the BRIDGESTONE TuranzaT005 (-15,998 km), the CONTINENTAL PremiumContact 6 (-5,655 km) and the GOODYEAR EfficientGrip Performance 2 (+2,093 km). Longevity test run in average real usage (D50) with a 12,200 km run and extrapolated longevity at 1.6 mm.*

(3) *Wet braking new and worn: External tests conducted by TÜV SÜD Product Service, at Michelin's request, between 80-20 kph, in May-June 2021, on the 205/55 R16 91V size on a VW Golf 8 (worn means buffed on a machine until the tread wear indicators appear, according to European regulation ECE R30r03f) comparing the MICHELIN Primacy 4+ tire (new: 22.9m - worn: 31.5m) to its competitors, the BRIDGESTONE TuranzaT005 (new: 22.7m - worn: 36.4m); the CONTINENTAL PremiumContact 6 (new:23.0m - worn: 35.3m); and the GOODYEAR EfficientGrip Performance 2 (new: 23.7m - worn: 35.6m).*

In 2021, Michelin sustained its innovation drive in this area by renewing and expanding its MICHELIN X® LINE™ ENERGY™ and MICHELIN X® MULTI™ ENERGY™ ranges to meet the challenges of CO_2 emissions standards in Europe and North America. The ENERGY™ lines are now being deployed in the fast-growing markets of Brazil, China and India.

Also in 2021, a number of new products were launched to enable more sustainable mobility in urban areas.

With the introduction of the MICHELIN X® Incity™ EV Z tire, MICHELIN is supporting the electrification of city buses, with improved energy efficiency(1) and load bearing capacity(2).

With the forthcoming deployment of zero-emission vehicles, Michelin is forging partnerships with its OEM customers to support the environmental transition in the road transportation industry(3).

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.

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.

To drive continuous improvement in reducing the environmental impact of its products, Michelin takes a holistic approach with the use of life cycle assessments, support for retreading and the increasing incorporation of sustainable materials in its tires(4).

This approach was illustrated in 2021 by the publication of Veritas-certified environmental product declarations (EPD) for five products, in a first for the global truck tire industry.

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(5).

The above-mentioned new tire ranges launched in 2021 attest to Michelin's ongoing commitment to offering truck and bus fleets more sustainable mobility, both by reducing CO_2 emissions and by using fewer raw materials.

Developing services and solutions that optimize the use and management of vehicle 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 more efficient, 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, data-enabled mobility solutions for the transportation industry. 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. Today, MICHELIN Services & Solutions are addressing a number of challenges faced by customers:

- 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;
- other solutions are structured around fleet management solutions such as Michelin Connected Fleet, which help to reduce empty kilometers, thereby optimizing fleet operations and vehicle use while improving their energy efficiency. Michelin Connected Fleet also offers a range of solutions to improve driver safety, such as training courses and onboard cameras. Overland transportation can exert significant leverage in reducing CO_2 emissions, and eliminating inefficiency is a critical first step;
- still other solutions are designed to assist fleets that are ready to transition to operating with carbon-neutral vehicles. Michelin Connected Fleet's MoveElectric solution guides commercial fleets through the planning and transition process and supports EV operations once they are up and running, ensuring that the vehicles are used to the fullest. Watèa by Michelin, a purpose-designed electric fleet mobility solution, takes this process further by helping fleets manage the total cost of deploying and operating EVs at a price tailored to each customer's needs and budget. Its all-in-one offering includes electric vehicles, recharging solutions, a package of services and long-term support, making the energy transition both operationally and financially feasible. By helping customers shift their fleets to low-carbon operations sooner, Michelin is making a significant contribution to mitigating their impact on the environment.

(1) Michelin calculations based on rolling resistance values.
(2) Load bearing capacity increased to a maximum of eight tonnes, or 15% more than the previous X® Incity™ XZU range.
(3) The SuperTruck programs in the United States and the European Consortium.
(4) See section 4.1.4.2 a) Increment the use of sustainable materials.
(5) See section 4.1.4.2 d) The Michelin 4R circular economy process/Reuse.

For mining companies, Michelin offers advanced productivity and safety solutions that help 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 increase tire life by warning of failures and avoiding premature replacement. In this way, the solution helps 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.

Developing new mobility solutions: hydrogen

Michelin has singled out the EV market as a "genuine growth opportunity and energy transition accelerator." In particular, it offers an opportunity for the Group to express all its capabilities and potential for innovation, not only with tires, but also beyond them, and particularly in hydrogen.

Backed by this vision and its unmatched expertise in materials – especially its 15 years of expertise in hydrogen fuel cells – Michelin is seeking to become a world leader in hydrogen-powered systems through Symbio, a joint venture between Michelin and Faurecia that recently broke ground on Europe's largest battery production plant and is already involved in two projects to develop hydrogen-powered vans and buses.

Michelin also supports an ecosystem approach, of which a compelling example is the creation of Hympulsion, a public-private partnership between Michelin and the Auvergne-Rhône-Alpes Region, ENGIE, Banque des Territoires and Crédit Agricole that is tasked with deploying France's Zero Emission Valley (ZEV) project. Launched in 2017, ZEV is the first real-world implementation of the "hydrogen valley" concept not only in France but in all of Europe. Thanks to its shared public-private governance, ZEV can mobilize every link in the value chain required to foster a clean, economically viable mobility market in the Auvergne-Rhône-Alpes region. The simultaneous deployment across an entire region of hydrogen production, storage and distribution infrastructure and hydrogen-powered vehicles means that the system will be immediately operational, spurring the emergence of a profitable, sustainable new market. ZEV's planned deployment of 20 hydrogen filling stations and a fleet of 1,200 hydrogen-powered vehicles by 2024 makes it the largest renewable hydrogen mobility project in France. It is expected to avoid the use of 4.3 million liters of diesel fuel and the release of 13,000 tonnes of CO_2 per year. In addition to these outcomes, Zero Emission Valley's pioneering experience will provide invaluable lessons for future projects to replicate regional hydrogen mobility ecosystems in other parts in France and internationally. These insights will also support the creation of other hydrogen valleys, the initial bricks that will play a critical role in building a nationwide network, stepping up the development of the hydrogen value chain and reviving local economies.

With Watèa by Michelin, the Group is demonstrating its conviction that battery and hydrogen fuel cell technologies are highly compatible as enablers of vehicle electrification. Watèa by Michelin is a purpose-designed electric mobility solution for light truck fleets that combines the supply of battery and hydrogen fuel cell EVs with access to charging infrastructure and digital services to ensure vehicle uptime and business continuity. A single, all-inclusive monthly subscription fee makes costs easy to budget.

Michelin has always considered motorsports as a business-critical laboratory for innovation and a showcase for technologies. The environment's demanding requirements stimulate research and development and enable technologies to be tested in extreme conditions. Today, Michelin's objective is to leverage motorsports to spur the faster roll-out of hydrogen mobility solutions. This is why the Group and Symbio became lead partners in MissionH24, a project that is in particular looking to integrate hydrogen-powered technology into endurance race vehicles competing in the 24 Hours of Le Mans in 2025.

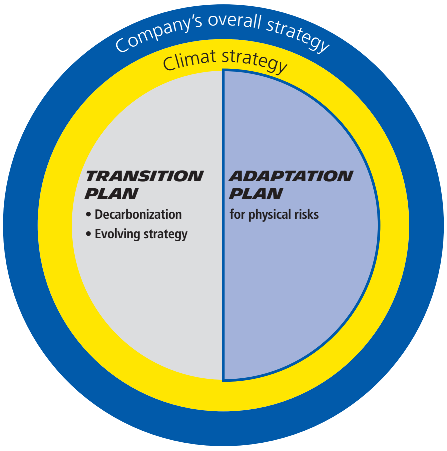
To further support the emergence of hydrogen mobility, Michelin is also exploring ways to apply its innovation culture to the technologies of certain enabling components in the hydrogen value chain. In particular, the Group's expertise in materials and its ability to assemble them offer a solid foundation for improving the performance of flexible composites in stack clusters[(1)], including their environmental performance.

It is also an opportunity to build a vibrant industry, capable of creating jobs and fostering the emergence of new champions. This means getting other stakeholders – large and small, public and private – onboard, and working together to successfully transform our world. Faced with a challenge as global as climate change, we have to join forces to devise collective solutions. In addition to innovating, Michelin is also engaging with and bringing together other stakeholders to facilitate the energy transition, by participating in national hydrogen industry associations in France, Europe, Canada, the United States and China, to nurture a clean hydrogen ecosystem and enable the emergence of wide-scale deployment projects.

For the Michelin Group, hydrogen will play a key role in the transition to zero-emission mobility. However, the advantages of hydrogen go far beyond mobility, as it represents a very interesting solution for combating CO_2 emissions and air pollution. Through its flexibility of production and use, hydrogen produced from renewable energy sources is becoming a keystone in the energy transition. In particular, it will help make steel production, chemicals, district heating and of course transportation carbon free. It is also, by far, one of the few technologies promoting industrial and energy sovereignty for Europe. For all these reasons, hydrogen is a strategic growth driver for Michelin.

(1) The basic unit in a hydrogen powertrain.

4.1.4.1 c) Adaptation plan: responding to the physical risks of climate change



The adaptation plan is being built in stages. The first, in 2019-2020, involved a top-to-bottom updating of the Group's environmental risk map, including climate change risk factors. In 2021, an internal audit of climate change risks identified 36 ecosystems (suppliers, production plants, logistics facilities) within a 100-km radius that are particularly critical for the Group's business. An initial pilot study to assess the vulnerability of certain Group businesses was carried out in 2021 with the help of external consultants. Its results will serve as a basis for defining a vulnerability analysis methodology and applying it to all of the Group's businesses in the coming years.

Risks related to extreme weather events have long been managed as part of the Operational Continuity Plan, a comprehensive process designed to manage all of the Group's business interruption and continuity of supply risks, whether climate-related or not. The Group's crisis management capabilities reduce the potential impact of major crises[1].

Risks impacting natural rubber supplies. Rubber tree plants, which produce the natural rubber needed to make tires, can only grow in the planet's narrow intertropical convergence zone. Although rubber trees are particularly resilient, they are exposed in these regions to (i) climate change-related impacts, both directly (extreme weather events such as cyclones and droughts) and indirectly (new leaf diseases and pathogens), and (ii) the growing scarcity of arable land. To address this challenge, the Michelin Group's agronomists and scientific partners are selecting productive, disease-resistant varieties that can thrive in emerging climate conditions. Together with its farmer partners, the Group supports and encourages rubber tree farming only in favorable zones, avoiding suboptimal or marginal regions. Michelin teams are developing and promoting highly resilient agricultural practices, in particular to preserve soil quality and vitality by maintaining a permanent plant cover. The Group tracks and models changing climate and health conditions in the production regions, directly on the plantations it supports and in partnership with its natural rubber suppliers and the research organizations in the International Rubber Research and Development Board (IRRDB). Lastly, the Group is pursuing its research and development and eco-design programs to optimize the quantity of natural rubber used per thousand kilometers traveled. In addition to managing physical risks, the Group continues to pursue opportunities to produce natural rubber sustainably and responsibly[2].

4.1.4.1 d) Engagement and transparency

CDP Climate Change

CDP
DISCLOSURE INSIGHT ACTION
A LIST
2021
CLIMATE

The CDP ranked Michelin among the most forward-looking companies in the areas of transparency and combating climate change in 2021, placing the Group in the ***CDP A-List*** in recognition of its strategy, the reduction in its CO_2 emissions and its long-term commitment to further reducing its carbon footprint.

Each year, the Michelin Group responds to the CDP Climate Change, CDP Water Security and since 2021, the CDP Forest questionnaires. The CDP is an independent, non-financial rating organization. Michelin's full response may be found on the CDP platform[3] and on the Group's website[4].

(1) *See section 2.1 Risk factors specific to Michelin, description and related management systems/Risk 4 – Physical impacts of climate change.*
(2) *See section 4.1.1.2 c) A dedicated approach for natural rubber.*
(3) *https://www.cdp.net/en/responses.*
(4) *https://www.michelin.com/documents/reponse-au-questionnaire-cdp-climate-change-2020-en-anglais-seulement/.*

Applying the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Since 2018, the Michelin Group has been 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.

2021

- governance: as part of the Supervisory Board's role of exercising permanent oversight of the Group's management, its new CSR Committee began to review the climate strategy and issue recommendations;
- strategy and innovation: four climate scenarios comprising narrative descriptions and quantitative socio-economic and physical assumptions were updated, deepened and deployed for use at two levels:
  - by the business lines, regional organizations, operating units, corporate departments and other units as part of strategic thinking and ideation exercises,
  - by the Group Executive Committee, to compare them to Group strategy and analyze their resilience with regard to climate change and other indirect risks arising from the environmental transition;
- risk management: an initial internal audit of systemic physical risks was performed and the first pilot study of the vulnerability of certain Group operations was completed;
- targets: joining the "Race to Zero" campaign, answering the call to action led by the Science Based Targets initiative (SBTi), the United Nations Global Compact and We Mean Business and committing to reach net zero emissions by 2050.

Detailed information concerning the application of TCFD recommendations may be found in the public answers to the CDP Climate Change 2021 questionnaire (see https://www.cdp.net/en/responses). A summary of these disclosures is presented below[1]:

Governance	
Roles, responsibilities and control	**Transition plan/decarbonizing our operations and adaptation plan** The Environmental Governance Committee carefully reviews climate-related and energy transition issues impacting the Group's business operations and, under this remit, makes decisions on behalf of the Group Executive Committee. It ensures that targets for decarbonizing operations are met and that climate-related physical 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[2]. Via the Executive Committee, it may receive opinions concerning the Group's climate change strategy issued by the Corporate Stakeholders Committee[3]. **Transition plan/Company strategy** The Group Executive Committee manages the transition plan in relation to the Group's strategy, based on its analysis of the climate scenarios. Climate change-related transition issues are identified in the strategic planning process and the resulting priorities are then defined in the business line strategic plans. **Climate strategy** As part of the Supervisory Board's role of exercising permanent oversight of the Group's management, its new CSR Committee reviews the climate strategy and issues recommendations.

Strategy	
Time horizons considered when identifying, assessing and managing risks and opportunities	**Long-term (16 to 30 years)** Build a roadmap to lower the carbon intensity of the Group's business operations, aligned with the Paris Agreement/1.5°C scenario and the goal of reaching net zero emissions in Scopes 1, 2 and 3 by 2050; analyze physical risks with climate scenario modeling; and contribute to the transportation industry zero net emissions roadmaps built and led by the Transport Decarbonization Alliance and the Paris Process for Mobility and Climate consortia. **Medium-term (6 to 15 years)** Manage strategic risks and opportunities requiring decisions related to (i) manufacturing facilities (type of energy, energy utilities, deployment of new technologies and/or processes); (ii) projected CO_2 allowance costs; (iii) research and development priorities (environmental footprint of future tire generations, new powertrains and high-tech content materials); (iv) the strategic foresight analysis of trends in the mobility of people and goods; (v) responses to forthcoming changes in standards and regulations; (vi) the analysis of qualitative/quantitative climate scenarios by the Group Executive Committee, business lines and operating units; (vii) the analysis of physical risks with climate scenario modeling; and (viii) the management of SBTi and other CO_2 emission reduction targets.

(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.*
(2) *See section 4.1.4 The Environment/Environmental governance.*
(3) *See section 4.1.2.5 a) Dialogue with stakeholders.*

	Short-term (0 to 5 years) Operational management: (i) analyze exogenous factors, such as investors, customers, competitors, NGOs, institutions and other stakeholders; (ii) make decisions concerning reductions in Scope 1 and 2 carbon emissions (e.g., energy efficiency projects and renewable energy purchases) and Scope 3 emissions (e.g., supply chain organization, engagement with suppliers and new partnerships); (iii) manage regulated carbon quotas; (iv) prepare strategic plans and create new solutions and partnerships; (v) implement R&D projects in low carbon/ energy efficient materials, products and services; (vi) track changes in standards and regulations; (vii) deploy a tactical strategy to address standards and regulations; (viii) manage prevention and protection measures against extreme weather events; (ix) engage with outside sustainable mobility stakeholders, such as the Movin'On Summit, Movin'On LABS, SUM4All and the Transport Decarbonization Alliance, to decarbonize the transportation industry; and (x) manage internal and external communication.
Climate scenarios used	**Scope 1 and 2 emissions pathways** The 2030 and 2050 reduction targets[1] 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. **Strategy and innovation** Based on best state-of-the-art practices, the Group has prepared four possible scenarios[2] for how its business environment could evolve under the impact of climate change and the policies likely to emerge as a result[3]. Increase in global mean surface temperature: ▶ four global warming pathways ranging from 1.7°C to 4.4°C by the end of the century. Time horizons: ▶ 2035, with a qualitative description, a quantitative characterization based on a set of macro-indicators and a global representation of scenarios by country; ▶ 2050, with elaborate, situational narratives painting a vivid picture of life in each scenario. Contextual assumptions underlying all four scenarios: ▶ the coexistence of four CO_2 pathways over the coming decades in the different countries of the world; ▶ a closer look at the key decade from 2024 to 2035; ▶ consideration of environmental issues other than climate change (resource depletion, collapse of biodiversity, impact of various forms of pollution). Constant assumptions: ▶ UN population forecasts; ▶ human beings are essentially driven by their own interests and the interests of their loved ones and communities; ▶ a world as politically and socio-economically fragmented as today's, in which countries choose a variety of different strategies; ▶ an irreversibly digitalized world. Variable assumptions: ▶ the landscape of environmental crises and shocks having an impact on society; ▶ the economic system and economic growth; ▶ the pace of energy decarbonization; ▶ the development of technological inventions and strategies; ▶ predominant lifestyles and consumer spending patterns; ▶ the political regime and its priorities.
Main risks and opportunities and their potential financial impacts	**Transition opportunities** ▶ ***Market*:** 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 by legislation (emissions standards, minimum tire performance standards), technology (growing take-up of electric vehicles) or emerging new demand from corporate customers and consumers. An initiative is underway to increase the robustness of the method for assessing the short-term financial impact of climate change-related market opportunities. In the case of low-carbon products and services corresponding to the definitions in Regulation (EU) No. 2020/852 implementing the EU taxonomy on sustainable activities, the €13.6 billion revenue figure used in 2021 came from the two eligible activities (3.6 and 8.2) and accounted for 57% of consolidated net sales[4].

(1) See section 4.1.4.1 a) Transition plan: decarbonizing our operations.
(2) An additional, extremely pessimistic alternative scenario was used to test the values attributed to the Group's plant and equipment. The results are presented in note 2.6 to the consolidated financial statements.
(3) See 4.1.4.1 b) Transition plan: company strategy.
(4) See 4.1.4.1 d) Engagement and transparency/2021 report on the Michelin Group's activities in respect of the European Taxonomy Regulation.

- ***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[1]. The financial impact will depend on market trends and the management of global supply risks, which may or not be related to climate change[2]. In the short term, it is estimated that initiatives to create a sustainable natural rubber value chain are contributing USD 70 million to the value of the MICHELIN brand.

Transition risks

- ***Market*:** achieving net-zero emissions by 2050, thereby meeting customer and investor expectations, entails higher costs to introduce or deploy new practices, technologies, processes and organizations. Over the medium term, the average annual cost of reducing the Scope 1 and 2 carbon footprint is estimated at €60 million in capital expenditure and operating expense.
- ***Market*:** the energy transition to a low-carbon economy with low-carbon mobility for people and goods presents both opportunities (see above) and risks. These are emerging market risks and as such are reassessed iteratively in light of prevailing climate scenarios and their related impacts[3].
- ***Legal and regulatory compliance:*** increasing CO_2 allowance costs on regulated markets. Annual operating expense costs over the short term estimated at between €9 million and €19 million.

Physical risks

- ***Extreme weather events*:** deterioration of production capacity in facilities operated by the Group and its suppliers caused by increasingly frequent and severe extreme weather events (production shutdowns, supply chain disruptions, damage to production assets). Over the short term, the maximum net impact on annual operating income is estimated at €150 million to €400 million.

Metrics and targets	
Greenhouse gas emissions	CO_2 emissions, Scopes 1, 2 and 3: see section 4.1.4.1 a) Transition plan: decarbonizing our operations/Inventory of Scope 1, 2 and 3 CO_2 emissions.
Reduction targets	Scopes 1 and 2: see section 4.1.4.1 a) Transition plan: decarbonizing our activities/Scopes 1 & 2: reaching net zero emissions in the manufacturing operations by 2050. Required Scope 3 (excluding the in-use phase): see section 4.1.4.1 a) Transition plan: decarbonizing our operations/Scope 3: reducing emissions from our logistics operations/Scope 3: reducing emissions from purchased raw materials and components/Scope 3: upstream purchased energy and end-of-life treatment of sold products. Optional Scope 3 (in-use phase): see section 4.1.4.1 b) Transition plan: company strategy/Opportunities and risks/Designing ultra-energy efficient products.
Spending	Manufacturing operations: The €37 million invested in 2021 as part of the Scope 1 and 2 decarbonization plan is disclosed below (see 2021 report on the Michelin Group's activities in respect of the European Taxonomy Regulation/activity 7.3). R&D projects: In 2021, around 18% of the total R&D budget was allocated to continuously improving tire energy efficiency and developing hydrogen mobility technologies. For 2022, this indicator will correspond to the definitions in the EU taxonomy.

2021 report on the Michelin Group's activities in respect of the European Taxonomy Regulation

Regulation (EU) No. 2020/852 of June 18, 2020 and its supporting Delegated Acts, commonly known as the European Taxonomy Regulation, establishes a framework to encourage investment in sustainable economic activities by requiring companies to disclose the proportion of their sales, capital expenditure and operating expenditure that contributes substantially to one or more of six environmental objectives:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy, waste prevention and recycling;
- pollution prevention and control;
- protection and restoration of biodiversity and ecosystems.

The European Commission has therefore defined a certain number of technical screening criteria designed to build a common language of sustainability and, consequently, support investment flows into activities that make a substantial contribution to meeting those six objectives.

This information must be disclosed every year in the Non-Financial Statement, which in France is included in the management report for the year.

Scope

For this initial taxonomy reporting exercise, only the economic activities recognized by the European Regulation as substantially contributing to the first two environmental objectives – climate change mitigation and climate change adaptation – had to be disclosed.

(1) See section 4.1.1.2 c) A dedicated approach for natural rubber.
(2) See section 2.1 Financial risks associated with climate change and the low-carbon strategy.

As a result, the Regulation provided for a lighter reporting procedure for 2021, the first year of application. In this case, companies must disclose the proportion of their sales, capital expenditure and operating expenses that are associated with economic activities that qualify as "taxonomy-eligible," i.e., classified in the EU taxonomy system.

Starting in 2023, companies will have to disclose the proportion of their 2022 sales, capital expenditure and operating expenses that are "taxonomy-aligned," i.e., that meet the technical screening criteria associated with each of the eligible activities, in three ways: they contribute substantially to one or more of the six environmental objectives; they do no significant harm to the remaining objectives; they comply with the Regulation's minimum social safeguards.

The sales, capital expenditure and operating expenses reviewed for the purpose of this report concern all of the Michelin Group's worldwide operations, corresponding to the scope of consolidated financial reporting for the year. This complies with Delegated Regulation (EU) 2021/2178 supporting Article 8 of EU Taxonomy Regulation 2020/852, which requires disclosure of the line items in the financial statements underlying the turnover (revenue) and capital expenditure key performance indicators (KPIs).

Reporting cycle

As with the Non-Financial Statement, the reporting cycle is annual, with the data used for this year's report covering the 12 months from January 1 to December 31, 2021.

Joint ventures and associates

Because disclosures must be aligned with IFRS financial ratios, companies in which the Group exercises joint control or significant influence are excluded from the calculation of the KPIs defined by the Delegated Act of the Taxonomy Regulation. As a result, only fully consolidated subsidiaries of the Michelin Group are included in the calculation of the sales, capital expenditure and operating expense indicators. On the other hand, the Delegated Act provides for the possibility of reporting additional ratios that would include joint ventures and associates.

Partnerships with joint ventures are an integral part of the Group's "All Sustainable" growth strategy with, around and beyond tires. As such, their relationship with taxonomy-eligible activities is discussed even though their activity is excluded from the disclosed indicators. For example, Symbio, a joint venture owned equally by Michelin and Faurecia, is dedicated to designing, manufacturing and marketing hydrogen fuel cell systems for all types of electric vehicles. Its business therefore falls within the scope of activity 3.2 "Manufacture of equipment for the production and use of hydrogen" and contributes to the environmental objective of mitigating climate risk.

Treatment of the tire manufacturing activity – technical screening criteria

To date, the "manufacture of rubber tyres and tubes, retreading and rebuilding of rubber tyres" (NACE Code C2211) is not one of the economic activities listed in the Taxonomy with regard to the two climate change-related environmental objectives.

However, the tire industry can contribute substantially to meeting the targets for reducing greenhouse gas emissions in the overland transportation industry. Because tires burn fuel as they roll (and thereby release CO_2 in vehicles with conventional powertrains), they are an important factor in a vehicle's energy efficiency. Known as rolling resistance, this phenomenon accounts for up to 20% of emissions from a passenger car and more than 30% from a truck. Rolling resistance is regulated at the EU level through minimum performance standards and labeling to encourage consumers to choose the most energy efficient tires, i.e., the ones with the lowest rolling resistance.

ROLLING RESISTANCE: EUROPEAN LABELING SCALE REDUCED FROM 6 TO 5 CLASSES IN 2021

Passenger car tires				Light truck tires				Truck tires			
kg/t*	Old	New	kg/t*	kg/t*	Old	New	kg/t*	kg/t*	Old	New	kg/t*
6.5	A	A	6.5	5.5	A	A	5.5	4	A	A	4
7.7	B	B	7.7	6.7	B	B	6.7	5	B	B	5
9	C	C	9	8	C	C	8	6	C	C	6
10.5	E	D	10.5	9.2	E	D	9	7	D	D	7
12	F	E		10.5	F	E		8	E	E	
	G				G				F		

* *Upper limit of the rolling resistance class.*

At the current pace of improvement in the rolling resistance of tires sold in Europe, the reduction in the proportion of CO_2 released by rolling resistance would represent 10% of the targeted 327-million-tonne reduction in greenhouse gas emissions from the European transportation industry by 2030, assuming a reduction in CO_2 emissions from automotive transportation corresponding to the well-below 2 degrees scenario (WB2D). In a more ambitious scenario for tire rolling resistance innovation, this contribution could rise to 15%, if the average tire in the European replacement market moves up to performance class B, or even 20% in the best case, if the average improves to class A. This means that by improving tire rolling resistance, technological innovation in the tire industry can make a substantial contribution to the climate change mitigation objective.

A direct link between tire rolling resistance and a vehicle's carbon emissions

For a passenger car releasing 133 g of CO_2 per kilometer, 27 g or 20% are attributable to the rolling resistance of its tires, if they perform in line with the European market average (class D according to the new European labeling system). If it were equipped with class C tires, the vehicle's emissions would decline by 4 g/km, or by 7 g/km with class B tires and by 11 g/km with class A tires.

Pending recognition of this contribution by including it in the Taxonomy's economic activity C2211, the Michelin Group has identified economic activity "3.6 Manufacture of other low-carbon technologies," which comprises the "manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy. The economic activities in this category could be associated with several NACE codes, in particular from C22 (...) in accordance with the statistical classification of economic activities established by Regulation (EC) No. 1893/2006."

Under activity 3.6, tires may be deemed to contribute substantially to the climate change mitigation objective if they "demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology/ product/solution available on the market."

Rolling resistance was an obvious choice as a technical screening criterion for tires, in light of:

- its direct link to the potential for reducing the transportation industry's emissions, as detailed above;
- the text of the Delegated Act of the Taxonomy Regulation dedicated to the "climate change mitigation" environmental objective, which mentions tires and rolling resistance in the description of the "do no significant harm" screening criteria for urban transport-related activities 6.3 and 6.5. It stipulates that tires equipping vehicles concerned by these activities must comply with requirements in the two highest populated rolling resistance classes on the market;
- the existence of a European labeling system that sets rolling resistance standards;
- its selectivity, given that choosing rolling resistance as a technical screening criterion effectively excludes so-called specialty tires from eligibility. For these tires, rolling resistance is not a particularly relevant performance criterion, even though, among other customer benefits, they can help improve fuel efficiency and therefore reduce CO_2 emissions.

Compliance of eligible tires with the "low carbon intensity" concept is based on:

- the direct link between tire rolling resistance and the potential for reducing emissions from the transportation industry, as detailed above;
- Michelin's decades-long track record of steadily reducing the rolling resistance of its tires to improve fuel efficiency and thereby decarbonize the transportation industry, and its commitment to continue improving the energy efficiency of its products (with a targeted 10% improvement over the 2021-2030 decade);
- the exclusion from eligible activities of passenger car, light truck and truck tires with class E rolling resistance, which is the least efficient. The European classes have been translated into minimum rolling resistance standards, expressed in kg/t, so that every tire sold around the world can be compared to a universal criterion.

Michelin has calculated an alignment criterion for the tire business by analogy with the specifications in the Delegated Act of the Taxonomy Regulation mentioned above, while restricting it to the two highest rolling resistance classes on the market. The European classes have been translated into minimum rolling resistance standards, expressed in kg/t, so that every tire sold around the world can be compared to a universal criterion. As a result, only the most energy efficient tires on the market, with rolling resistance within the upper limits defined in the table below, will be considered as aligned.

Tire category	Rolling resistance class	Maximum rolling resistance for aligned tires (kg/t)
Passenger car tires	A and B	7.7
Light truck tires	A and B	6.7
Truck tires	A and B	5.0

This approach reflects the spirit of the alignment criterion in activity 3.6, which requires that the technological solution reduce carbon emissions more substantially than the best performing alternatives on the market. In this way, selecting only tires in higher rolling resistance classes than the market average ensures compliance with the criterion, because the designated rolling resistance ceilings are extremely selective. For example, a document published by the European Tyre & Rubber Manufacturers' Association in February 2021 noted that in 2020:

- class A and B passenger car tires still only represent 5.3% of the European market (2.3% in 2012-2013), with class D accounting for a predominant 48.5%;
- class A and B van tires still only represent 3.4% of the European market (2.8% in 2012-2013), with class D accounting for a predominant 53.8%;
- class A and B truck tires still represent only 8.5% of the European market (4.4% in 2012-2013), with demand focused on classes C-D (74%).

Table of eligible activities

The following table shows all of the Michelin Group's activities identified as eligible (excluding the activities of joint ventures and associates):

European taxonomy		Corresponding Michlin Group activity	Substantial contribution to one of the two climate change-related objectives		Reported KPIs		
Economic activity	**Description**	**Michelin activity**	**Mitigation**	**Adaptation**	**Net sales**	**Capex**	**Opex**
3.6 Manufacture of other low-carbon technologies	Manufacture of technologies aimed at substantial GHG emission reductions	Passenger car and Light truck tire manufacturing	X		X	X	X
3.6 Manufacture of other low-carbon technologies	Manufacture of technologies aimed at substantial GHG emission reductions	Truck tire manufacturing	X		X	X	X
7.3 Installation, maintenance and repair of energy efficiency equipment	Individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment	Production plant decarbonization plan	X			X	
8.2 Data-driven solutions for GHG emissions reductions	Development or use of ICT solutions that are aimed at collecting, transmitting, storing data and at its modeling and use where those activities are predominantly aimed at the provision of data and analytics enabling GHG emission reductions	Development of fleet management telematics solutions to improve fleet fuel efficiency	X		X	X	X

Principles used to calculate KPIs by eligible activity

Sales

Sales data concern:

- sales of passenger car, light truck and truck tires, corresponding to Taxonomy activity 3.6;
- sales of the fleet management services and solutions, corresponding to Taxonomy activity 8.2 (e.g., the Masternaut, Sascar, NexTraq and Watèa businesses). The fleet management business, which relies heavily on the collection, processing and reporting of requisite data, focuses on lowering customer fuel consumption, for example by offering solutions to optimize routes or driving practices.

Sales data exclude sales of motorsports tires, specialty tires and any other tires that do not meet the definition of the eligible tire activity described above.

These sales are included in the Group's consolidated sales, as reported in the consolidated financial statements, to calculate the percentage of eligible sales.

Capital expenditure

The European Taxonomy defines the methods for calculating alignment ratios. By analogy, the Group reports its eligible capital expenditure, which may be:

- associated with the activity's eligible sales;
- associated with a capital plan to expand eligible activities or to transform eligible activities into aligned activities within five years, or up to ten years if warranted by the features of the activity in question;
- individual capital outlays that are not associated with an activity intended to be marketed by the Group.

Some of the Group's capital expenditure is directly committed to each activity. For other capital expenditure (in infrastructure shared by several activities, for example, or in semi-finished goods production units serving several activities), the Group uses an indirect allocation method, based on the proportion of total direct expenditure. The capital expenditure reported for a given activity is therefore all of the capital expenditure directly committed to it plus the indirect capital expenditure allocated to it, less capital expenditure on corporate projects.

Some capital expenditure may be associated with an eligible activity that is not marketed by the Group. To avoid double counting, these outlays are recorded separately. This category includes capital projects to support the production plant decarbonization plan, which corresponds to Taxonomy activity 7.3.

Operating expenses

In accordance with the European Taxonomy, the only operating expenses disclosed in this report are direct non-capitalized costs relating to research and development, building renovation measures, short-term leases, maintenance and repair and any other direct expenses related to the day-to-day servicing of the property, plant and equipment assets. These expenses, which constitute the denominator by which the eligible expenses will be divided to determine the KPI, are recorded in the Group's information systems at the level of the consolidated financial statements. These expenses are not recorded on a more granular level, however, making it impossible to calculate the amount to be included in the numerator to determine the proportion of eligible operating expenses without performing complex estimates, which would in any case be too approximate to be meaningful. Eligible operating expenses were therefore calculated proportionally to the percentage of eligible sales.

Eligible proportion of 2021 sales, capital expenditure and operating expenses:

(in € millions)	ELIGIBILITY		
ECONOMIC ACTIVITY	**SALES**	**CAPEX**	**OPEX**
A – ELIGIBLE ACTIVITIES			
3.6 Manufacture of other low-carbon technologies	13,424	1,123	(860)
7.3 Installation, maintenance and repair of energy efficiency equipment	0	37	0
8.2 Data-driven solutions for GHG emissions reductions	178	76	(11)
Total A	**13,602**	**1,237**	**-871**
%	57%	66%	57%
B – NON-ELIGIBLE ACTIVITIES	**10,193**	**645**	**-653**
%	43%	34%	43%
TOTAL (A+B)	**23,795**	**1,882**	**-1,524**

4.1.4.2 Enhancing the circularity of our products SDG 8.4, 9.4, 12.2, 12.4, 12.5, 13.2 and 17.17

Risks related to other impacts of raw materials on the environment (excluding climate change)[1]

As the only point of contact between a vehicle and the road, tires play a vital role in road safety. They are made of around 200 different materials, such as elastomers (natural and synthetic rubber), plasticizers and chemicals, which are all essential to delivering performance.

A variety of raw material factors, such as their natural or fossil origin, their production or extraction method and their increasing demand can generate environmental impacts, including resource depletion, pollution and/or loss of biodiversity.

Through a policy of continuous innovation, focused on sustainable mobility, Michelin is making every effort to attenuate the environmental impact of its products throughout their life cycle and to help preserve resources.

This policy is grounded in eco-design practices, the use of life cycle assessments, and the deployment of a circular economy approach known as **Michelin 4R**.

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. 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. UPTIS represents a decisive milestone in making the Vision concept a reality.

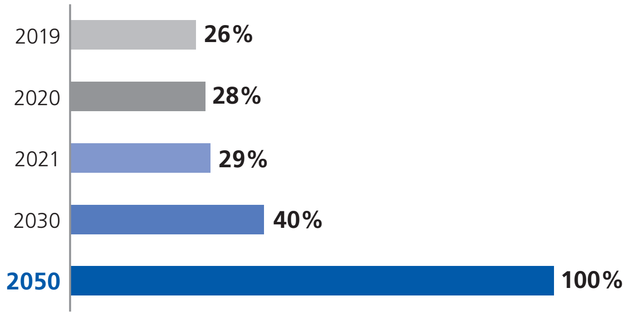
(1) *See section 4.1 Sustainable Development and Mobility Report/Challenges and performance/Materiality Matrix.*

4.1.4.2 a) Increment the use of sustainable materials

OUR OBJECTIVE:

The Group's ambitious objective is to manufacture its tires entirely from sustainable materials by 2050, backed by a commitment to incorporating an average of 40% sustainable materials by 2030.

This commitment is measured by the **Average Sustainable Materials Rate (ASMR)** indicator



In 2021, the percentage stood at 29%, an improvement on 2020 and in line with the roadmap to meet the 2030 target of 40%.

Due to the nature of the issues addressed, growth in this percentage has not been nor will be linear over the indicator's time frame. In 2021, improvements were delivered on schedule in the maturity of specific technologies in R&D projects and in the traceability of certain supply chains with our suppliers. That reflected Michelin's active commitment to meeting its sustainable materials objective.

Michelin defines sustainable materials as renewable bio-based materials, such as natural rubber or butadiene produced from biomass ethanol, or materials made from recycled sources (recovered or reused materials).

Renewable bio-based materials[1] are made from raw materials derived from natural resources that are naturally replenished on a human timescale, such as biomass. This excludes fossil fuels like oil, natural gas and coal, as well as minerals.

Recycled[2] materials are made from raw materials or feedstocks recovered from industrial or household waste that has been reprocessed into products, materials or substances. Recycling does not include energy recovery or the reprocessing into materials that are to be used as fuels.

THE EMPREINTE PROJECT

To take its All-Sustainable approach to the next level, Michelin launched **the EMPREINTE project** in late 2020.

Funded by the PIA future investment program run by ADEME as part of the French automotive industry recovery plan, the new project is designed to deliver effective solutions for **recycling or bio-sourcing materials** and **eco-designing products**. These solutions will improve the overall environmental footprint of tires by guaranteeing in-use performance fully aligned with expectations for new vehicles and emerging mobility needs.

By addressing the major challenges of sustainable mobility, the EMPREINTE project is targeting two strategic markets: personal mobility (Passenger car tires) and freight transportation (Truck tires).

The five-year project covers **four closely related research areas**, which will help drive future innovation:

- **materials**: development of new sustainable materials (recycled and biosourced, for example from recovered waste) and their production processes;
- **tires**: design and development of "sustainable" demonstrator tires, made from these new materials but still delivering the same optimal performance;
- **connectivity**: development of connected capabilities and predictive maintenance solutions to optimize in-use tire impacts;
- **manufacturing:** optimization of tire manufacturing processes to manage the industrial complexity associated with these new materials.

4.1.4.2 b) Deploying eco-design practices

Michelin is gradually rolling out a process to systematically assess all its new product projects based on eco-design principles.

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.

In 2021, the Environmental Governance body approved the publication of an "Eco-design Charter" based on guidelines in the ISO 14006:2020 and NF X30-264: February 2, 2013 standards. It presents key eco-design principles and specifies the basic rules that all Group units are expected to apply to any project engaged in an eco-design process (e.g., involving research, products, services or business, digital and/or production processes).

(1) As defined by the American Chemical Society in "12 Principles of Green Chemistry".
(2) As defined in European Directive 2008/98/EC on waste.

4.1.4.2 c) Broadening the use of life cycle assessments

Michelin has long used life cycle assessments (LCAs) and is continuously improving its expertise in measuring the lifetime environmental impact of its products via such indicators as global warming potential, resource depletion, photochemical oxidation and water acidification and eutrophication. This approach, which is based on ISO 14040 guidelines, provides greater insight into these impacts that then informs the design choices made to reduce them.

Since 2012, Michelin has been involved with eight other international corporations in supporting 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 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)[(1)] 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.

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[(2)].

4.1.4.2 d) The Michelin 4R circular economy process

LCAs have shown that production phases, from raw materials to finished product, can account for up to 30% of a tire's environmental impact. This poses a variety of challenges, such as reducing the impact of mobility on ecosystems, natural resources and human health, limiting its effects on climate change and securing supply. To ensure that natural resources are used more wisely, Michelin is simultaneously rolling out four initiatives under the Michelin 4R banner, for Reduce, Reuse, Recycle and Renew.

- Since 2017, this process has been managed by the Circular Economy Operational Committee, whose multidisciplinary members are led by the Sustainable Development and Mobility team. It defines and tracks process deployment, identifies risks and opportunities, leads the related initiatives and proactively plans for 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 – of 1.6 mm in Europe – which would avoid the unnecessary use of 400 million tires a year worldwide and help to reduce CO_2 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[(3)], adopted in November 2019. Along with the entire automotive 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.

(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., Michelin Group, 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) See https://www.environdec.com/library/_?Epd=18918.

(3) Regulation (EU) No. 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.

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 can then add a further 100,000 km using four times less raw material than it takes to make a new tire. Lastly, the final regrooving increases total tread life by another 25,000 km.

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. 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;
- 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 2021, 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): Building on the knowledge of recycling volumes and processes gained in previous years, the TIP has come up with an End-of-Life Tire (ELT) Management Toolkit (World Business Council for Sustainable Development – WBCSD) to assist stakeholders in implementing end-of-life tire management systems. At the same time, because it feels that ELT management solutions are deployed locally and require the involvement of everyone across the value chain, TIP has organized stakeholder workshops to explore the issues and challenges involved in managing and recycling ELTs;
- 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 generally offers a smaller carbon footprint than energy recovery.

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.
- In 2021, Michelin broke ground on its first tire recycling plant in the world, in a joint venture with Enviro, which has developed a patented technology to recover carbon black, oil, steel and gas from end-of-life tires. Based in Chile's Antofagasta region, the plant will be able to recycle 30,000 tonnes of earthmover tires a year, or nearly 60% of such tires scrapped every year nationwide. Production start-up is scheduled for 2024.

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.

(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.

On November 22, 2021 **Michelin and Bridgestone** jointly issued a call to action to enrich the recycling ecosystem for end-of-life tires and promote the circular economy in the rubber industry. The two main global tire leaders hope to enable and increase the use of carbon black recovered from recycled tires[(1)].

In addition, for more than ten years now, Michelin has been ensuring that all of its tire manufacturing waste is recovered[(2)].

BlackCycle, a European project for recycling end-of-life tires into new tires

Launched in 2020, the BlackCycle project brings together 13 organizations[(3)] in a European public-private partnership that aims to create, develop and optimize a full value chain, from ELT feedstock to secondary raw materials (SRMs), with no waste of resources in any part of the chain and a specific attention for the environmental impact. These SRMs will be used to develop new ranges of passenger car and truck tires, which will be sold commercially in European and global markets.

Funded by the Horizon 2020 program, the consortium is based in five European countries (France, Spain, Germany, Greece and Switzerland) and includes seven industrial partners, five research & technological organizations (RTOs) and an innovation cluster. Coordinated by Michelin, its governance system comprises a steering committee, a cluster synergies board and a technical support committee.

Renew

Michelin is committed to ensuring that by 2050, all the materials used to make its tires are sustainable. 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:

- Project BioButterfly, 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. The development phase got underway in 2015 and the industrial demonstrator is now nearing completion, for scheduled start-up in 2022.
- 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 chain[(4)].

4.1.4.3 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.

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.

Michelin’s individual commitments focused on five main issues: corporate governance, dialogue with stakeholders, research and development, raw materials and manufacturing facilities.

Also in 2018, a Group multidisciplinary Biodiversity Operational Committee was created and tasked with tracking progress towards the objectives, coordinating initiatives, detecting even the most latent issues, assessing emerging risks and identifying opportunities to reduce environmental impacts.

The 2018-2020 commitment outcomes were reviewed in the 2020 Universal Registration Document, page 228.

The 2018 commitments that could not be met in 2020 due to pandemic-related travel restrictions have been carried forward to 2022 in the 2030 roadmap:

- by the end of 2022, 80% of the Group’s sourced natural rubber volumes should be mapped with RubberWay®;
- by the end of 2022, all the farms in which Michelin owns an equity interest should comply with the Sustainable Natural Rubber Policy.

(1) See section 4.1.4.1 b) Transition plan: decarbonizing our operations/Scope 3: upstream purchased energy and end-of-life treatment of sold products.

(2) See section 4.1.4.4 e) Reducing and managing waste.

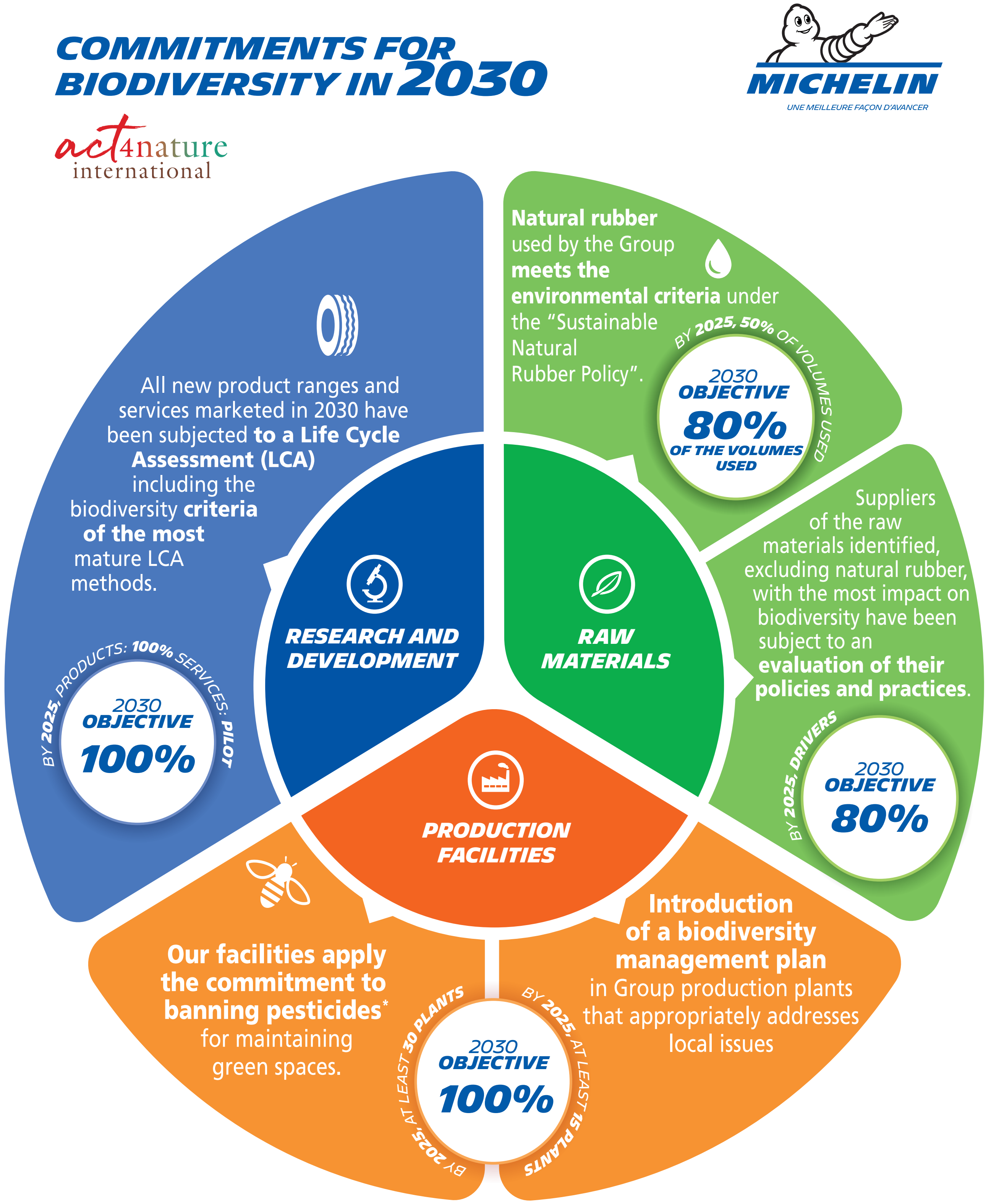
(3) Michelin, Orion Engineered Carbons, Pyrum Innovations, Quantis, CSIC-Instituto de Carboquímica (ICB), CPERI/CERTH, Sisener Ingenieros SL, Aliapur, Estato Umweltservice GmbH, HERA Holding, AXELERA, Ineris and Fundación ICAMCYL (https://blackcycle-project.eu/).

(4) See section 4.1.1.2 c) A dedicated approach for natural rubber.

4.1.4.3 a) 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 as part of its "***All Sustainable***" strategy.

Intermediate milestones for 2025 have also been defined and approved by the Environmental Governance body.



* *Pesticides, herbicides and fertilizer have been replaced with mechanical pest control and alternative solutions.*

2021 Results

Research and development

- By the end of 2021, life cycle analyses had been performed on:
  - 50% of new Passenger car and Light truck product projects,
  - 30% of new Truck product projects,
  - 65% of new Specialty product projects[1].

Raw materials

Natural rubber

2030 target:

- In 2021, Michelin began working with its partner WWF France to review the compliance framework of its Sustainable Natural Rubber Policy concerning the procurement of natural rubber from industrial tree farms. Scheduled to continue through 2022, the review will also devise a pilot risk mitigation framework for supply regions predominantly worked by village smallholders.

2020 targets postponed due to the pandemic:

End-2021:

- 64% of the Group's sourced natural rubber volumes have been mapped with RubberWay®;
- all the farms in which Michelin owns an equity interest comply with the Sustainable Natural Rubber Policy[2].

Other raw materials

- in 2021, preparatory work on the pilot to be launched in 2025 began with the trials run on the Science Based Targets Network (SBTN) method.

Manufacturing facilities

- Twelve facilities are maintaining their grounds without using any pesticides or herbicides, and three others have phased out all but one product, under a maximum three-year waiver. These facilities are all located in France, but the feasibility is being studied for other European countries;
- Eight sites that had identified pollution risks implemented management plans.

Other initiatives undertaken in 2021

During the year, Michelin agreed to participate in the **Natural Capital Lab initiative** founded by WWF France and the Environmental Accounting Chair at AgroParisTech, the University of Paris-Dauphine, Reims Champagne-Ardenne University and the Louis Bachelier Institute. Led by the AgroParisTech Foundation, the Lab is dedicated to encouraging and supporting companies in testing robust sustainability tools, to help them align their business development with replenishment timeframes and the planetary boundaries of natural ecosystems.

As part of the Lab's undertakings, Michelin began testing the first two stages of the **SBTN** method in 2021, supported by its partner WWF France and an outside consultant.

The method is being used first to identify the material impacts of Michelin's operations on biodiversity and ecosystems across the value chain. These impacts will then be mapped geographically and appropriate priority actions designed for deployment in response to local issues. The results of the trial program will be available in the first quarter of 2022.

4.1.4.3 b) Preserving biodiversity and ecosystems in rubber tree farming

As one of the world's leading users of natural rubber, a critical raw material in tire manufacturing, Michelin is especially attentive to the impacts that rubber farming and processing can have on biodiversity and ecosystems.

The Group's **Sustainable Natural Rubber Policy,** published in 2016 and updated in 2021, defines specific environmental criteria that the Group has pledged to meet, and which are also included as contractual obligations in natural rubber procurement contracts.

The Group has reaffirmed its commitment to "zero deforestation" and includes among its criteria compliance with such principles as:

- preserving High Conservation Value (HCV) areas, High Carbon Stock (HCS) areas and peatlands;
- preserving surface water and groundwater;
- using pesticides and chemical inputs judiciously;
- avoiding the introduction of potentially invasive alien species;
- encouraging the creation of environmental buffer zones around bodies of water, and between producing regions and HCV areas;
- supporting biodiversity conservation by raising awareness among local communities and stakeholders.

The Policy applies to every supplier and is supported by a roadmap to 2025 that describes the initiatives and objectives guiding its implementation.

Combating deforestation

Michelin estimates that it sources natural rubber from around two million of the six million farmers total in the world, most of whom are village smallholders working on just a few hectares. To combat deforestation in such a complex, highly fragmented supply chain, the Group is exercising its duty of care and conducting a program to review the jurisdictions at risk of deforestation in its supply countries. Based on this risk analysis, prevention and mitigation measures will be gradually introduced to reach a significant portion of the farmers in the jurisdictions concerned[3].

(1) *Products for earthmovers, farm machinery and aircraft, etc.*
(2) *100% of the plantations were assessed in a gap analysis, and no major non-compliance was found. Collaborative action plans will be implemented for minor areas of improvement.*
(3) *See section 4.1.1.2 c) A dedicated approach for natural rubber.*

Reducing pesticide use

While natural rubber production does not require the intensive use of chemicals, their judicious use at certain stages in the production and processing cycle may be effective.

In 2021, **Michelin committed to (i) reducing pesticide use per hectare by 50% by 2025 in the 85,000 hectares of rubber tree farms operated by the Group and its joint ventures; (ii) eliminating herbicides entirely on 50% of its planted hectares by 2030; and (iii) immediately banning all use of pesticides classified as "prohibited" and "highly restricted" by the Forest Stewardship Council (FSC).** Michelin also intends to identify any at-risk pesticide use practices with data inputted into the RubberWay application by stakeholders across the supply chain and to promote best alternative farming practices as widely as possible. The commitment has been approved by the corporate Environmental Governance body.

4.1.4.3 c) 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[(1)] 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

CENA – 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 black grass) and has been designated as a priority for conservation. In 2021, the conservation area was expanded by 1.7 hectares.

NATURA'LADOUX – In addition, the Natura'Ladoux non-profit organization, which was founded in 2016 and had 79 members as of year-end 2021, 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.

CROPLAND – 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. In 2021, a steering committee comprising Center representatives and local farmers was set up to review and reduce the use of pesticides and herbicides, whose frequency of application is tracked using the dedicated IFT indicator.

RIF – A project to restore the Rif canal was undertaken in 2021 to revitalize around one hundred meters of the waterway and limit bank erosion with a variety of vegetation engineering techniques (combs, aquatic plant weirs, vegetated berms).

ALL SUSTAINABLE – Lastly, the Center's All Sustainable working group is raising employee awareness of biodiversity issues and coordinating initiatives.

Pesticide-free 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. Since November 2020, use of these products has been banned on all of the 15 French manufacturing and research facilities tracked in the i-MEP, as well as on the grounds of the Group's head offices and leading proprietary logistics hubs. Waivers for specific, judicious uses may be requested in each country from the local Environmental Manager, the only person authorized to grant them. Such waivers may be granted for no more than three years, during which time the facility must find an alternative solution (replacement products or mechanical or manual pest control). Three facilities were granted waivers in 2021.

The Michelin Ecological Reserve in Bahia, Brazil

Michelin created the 3,350-hectare Michelin Ecological Reserve (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. In 2021, the reserve was expanded by 550 hectares and now covers a total 3,900 hectares.

(1) GRI 304-1: Operational sites owned, leased or managed in or adjacent to protected areas or areas of high biodiversity value outside protected areas.

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)*, are once again flourishing in the Reserve, 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 118 environmental studies over the past 16 years, resulting in the publication of 124 scientific papers. Four new species were discovered in 2021, bringing to 20 the number of previously unknown species found since the reserve was opened.

As part of the program launched in 2005 to restore deforested areas, REM has planted 108,500 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.

Clermont-Ferrand, 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 analyzed in 2021. The review showed that the works undertaken to improve green spaces after the Tiretaine was diverted helped to spur rapid growth in the number of plants and animals around the complex, with the inventory counting a total of 215 species and subspecies of plants. This abundance of flora is directly tied to the presence of insects (17 species), which attract a large number of birds (24 species including wagtails, ducks, goldfinches, swifts, titmice and redstarts) as well as four species of bats.

The apiary created in April 2021 in the center of the Carmes complex was sized to preserve food resources for all the pollinating insects on the site and maintain the balance of biodiversity.

Querétaro, Mexico

In September 2021, Michelin and the Querétaro Trust for the Conservation of the Environment (FIQMA) reaffirmed their commitment to preserving the natural ecosystems in the Querétaro community by signing an agreement to support the creation of dedicated projects and initiatives to preserve and safeguard the flora, fauna, soil, water and air around the production facilities.

Michelin will partner with FIQMA to identify and devise plans to preserve local flora and fauna on the land adjacent to the plant, which covers around 20 hectares and is considered one of Querétaro's finest natural attractions. Under the project, a third of the 20 hectares will be transformed into a public park, with educational displays indicating the unique species found in the community, another third will be reforested with native trees and plants, and the final third will be left as is in a natural state.

4.1.4.4 Reducing the environmental footprint of our manufacturing 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 manufacturing 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 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].

(1) *See section 4.1.4.4 a) An Environmental Management System backed by a network of experts.*

The Group's environmental policy is aligned with the 3P Vision (People, Profit, Planet). Since 2020, the new Environmental Policy has affirmed, in its general policy section, both the fundamental principles for addressing environmental issues and the Group's ambitious objectives. A section dedicated to the production plants and offices defines 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.

Improvements in environmental performance are being led by four programs[1] (Energy/CO_2, Volatile Organic Compounds, Waste and Water), each with two objectives:

- ensure that the Group's 2030 targets are met by defining a roadmap and the technical levers to be deployed;
- prepare for the future by defining ambitious improvement targets for 2050, as well as effective 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[2]. Each program's policies and outcomes are described in detail in this section.

The pace of progress in the four programs is tracked consistently across every production plant and manufacturing unit by a shared composite indicator, the **i-MEP**, which replaced the MEF in 2021 and is displayed in the Group's balanced scorecard. It is described in the methodology section.

At the same time, the Group has developed an Environmental Management System to prevent the risks of soil contamination and to protect sensitive ecosystems around its facilities.

4.1.4.4 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 2021, 93.3% of all facilities were certified[3]. ISO 14001-certified facilities accounted for 98.6% 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.

In 2021, €40.1 million, or 12.5% more 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)	2021	2020	2019
Air pollution prevention	9,750	3,657	5,997
Surface water pollution prevention	2,200	1,457	953
Soil and subsurface water pollution prevention	3,147	1,965	2,543
Waste reduction and recycling	3,264	2,299	2,864
Sustainable use of water resources	2,259	1,532	2,047
Sustainable use of energy resources	16,479	6,405	12,510
Reduction of greenhouse gas emissions	2,402	3,038	6,588
Other	623	914	2,149
TOTAL	**40,124**	**21,268**	**35,651**

As of December 31, 2021, total consolidated provisions for environmental risk amounted to €27.3 million, of which 32% covered site assessment and remediation issues.

(1) See Methodology.
(2) See section 4.1.4 The Environment/Environmental governance.
(3) Including the production plants, natural rubber processing facilities and Technology Centers having a material impact on the environment.

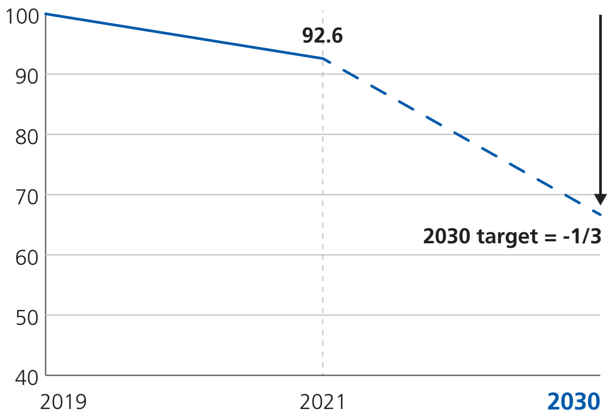
4.1.4.4 b) Reducing the environmental footprint of the production plants

Since 2005, Michelin has measured the key impacts from its manufacturing operations. Improvements driven by the four environmental programs are tracked at every level, from the shopfloor to the boardroom, through a composite performance indicator. The MEF indicator used from 2005 to 2020 was replaced in 2021 by the i-MEP, which measures five variables: energy consumption and water withdrawals, CO_2 emissions, volatile organic compound (VOC) consumption and the amount of waste generated. The i-MEP is displayed in the Group's balanced scorecard and is one of the strategic indicators that every plant must track to measure its operational excellence.

In 2020, each program defined its 2030 roadmaps. **Based on the identified technical levers, 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 2021 performance is analyzed in the following tables.

Improvement in the industrial - Michelin Environmental Performance (i-MEP) Indicator



Improvement in the industrial - Michelin Environmental Performance (i-MEP) Indicator

Ambitions for 2030	2030 Ambition compared with 2019	2019	2021	2022 target	% change 2021/2019
i-MEP	-1/3	100	92.6	89.1	7.4

Summary table of environmental data – Group

i-MEP component	Ratios 2021	Ratios 2019	% change 2021 vs. 2019	Absolute values by i-MEP component – Group 2021	2019	Unit	% change 2021 vs. 2019	GRI and SASB indicators[1]
Energy consumption *(GJ/t of SF+FP)*	**4.4**	**4.40**	**-0.51%**	**41,466**	**40,302**	**x 10^3 GJ**	**2.89%**	**GRI 302-1 TR-AP-130a.1**
Michelin point sources	2.09	2.24	-6.74%					GRI 302-3
Steam purchased, net	0.50	0.36	39.90%					GRI 302-4
Electricity purchased, net	1.79	1.80	-0.80%					
CO_2 emissions[2] *(t/t of SF+FP)*	**0.29**	**0.32**	**-8.46%**	**2,764**	**2,919**	**x 10^3t**	**-5.33%**	**GRI 305-1**
Direct emissions from Michelin point sources (Scope 1)	0.14	0.15	-7.10%	1,346	1,401	x 10^3 t	-3.93%	GRI 305-2
Indirect emissions, steam generation (Scope 2)	0.03	0.02	-53.88%	257	162	x 10^3 t	59.14%	GRI 305-4
Indirect emissions, electricity generation (Scope 2)	0.12	0.15	-17.29%	1,160	1,356	x 10^3 t	-14.46%	GRI 305-5
Water withdrawals *(cu.m/t of SF+FP)*	**3.14**	**3.36**	**-6.67%**	**27,498**	**28,227**	**x 10^3cu.m**	**-2.58%**	**GRI 303-1**
Organic solvent consumption *(kg/t of SF+FP)*	**0.72**	**0.83**	**-14.11%**	**6,782**	**7,634**	**t**	**-11.17%**	**GRI 305-7**
Waste generated *(kg/t of SF+FP)*	**33.28**	**36.10**	**-7.82%**	**315,036**	**330,836**	**t**	**-4.78%**	**GRI 306-2 TR-AP-150a.1**
i-MEP INDICATOR PERFORMANCE	**92.58**	**100**	**-7.42%**					
Other environmental indicators								
Total Michelin direct and indirect emissions avoided *(tonnes of CO_2)*				33,000	24,000			GRI 305-5
Sulfur dioxide emissions *(kg/t of SP+FP)*	0.16	0.15	5.44%					GRI 305-7
Nitrogen dioxide emissions *(kg/t of SP+FP)*	0.16	0.17	-5.50%					GRI 305-7
Hazardous waste generated *(kg/t of SP+FP)*	3.00	3.05	-1.48%	28,425	28,852	t		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 600 ha			GRI 304-1
In 2021, 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) GRI, Global Reporting Initiative Standards, 2016. / SASB, Sustainability Accounting Standard Board, Auto parts, 2018.
(2) "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, revised edition", World Business Council for Sustainable Development and World Resources Institute.

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.

(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.

4.1.4.4 c) Reducing energy use and greenhouse gas emissions

OUR AMBITIOUS OBJECTIVES

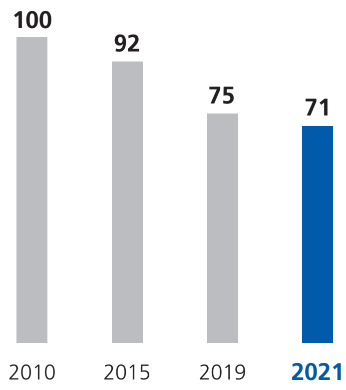
The Group's objective is to achieve net zero carbon emissions[1] across its entire production base by 2050.

For 2030, the Group's objectives are to:

- **reduce emissions from Group production facilities** by 50% versus 2010 in absolute terms (**indicator:** tonnes of Scope 1 and 2 CO_2 released);
- **eliminate the use of coal** to generate own or purchased heat (**indicator:** % of coal in our heat sources);
- **improve production plant energy efficiency by 37%** versus 2010 **(indicator:** MWh used per tonne produced).

CHANGE IN CO_2 EMISSIONS*

(base 100)



* *Absolute value.*

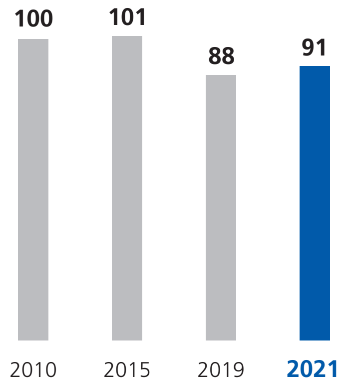
Total tonnes of CO_2 released from the Group's production plants, which had decreased by 25% over the 2010-2019 period, declined by a further 5.3% in 2021 compared to 2019 (29% versus 2010), despite the wider scope of reporting following the inclusion of a synthetic rubber plant in Indonesia and a tire plant in Mexico. Without this organic growth, the 2021 decline from 2019 would have been 10%. The ratio of CO_2 emissions per tonne of output stood at 0.29, versus 0.32 in 2019.

These improvements were driven by a two-pronged strategy designed to: 1) reduce energy use and 2) 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[2].

Improving energy efficiency

CHANGE IN ENERGY CONSUMPTION*

(base 100)



* *Absolute value.*

2030 Roadmap

In 2020, the technical levers to be activated over the 2020-2030 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.

2021 Achievements

By the end of 2019, energy efficiency had improved by 18% since 2010.

After a difficult year in 2020, roiled by the severe impact of the Covid crisis, the Group's energy performance (MWh/tonne of output) recovered to 2019 levels in 2021. There was even a slight 0.4% improvement despite the inclusion of the new Cilegon plant in Indonesia, whose upstream synthetic rubber production uses more energy than the tiremaking process itself. Excluding the new plant, the Group's energy performance would have improved by more than 2.5% compared to 2019.

In accordance with their strategic plans, the production plants began to deploy the energy efficiency drivers in the net-zero carbon emission roadmap, with €11 million invested in projects with an average payback of seven to eight years and a further €26 million invested in productivity and energy performance projects with a two to three-year payback. **In other words, in 2021, the Group directly or indirectly committed a total of €37 million to reducing greenhouse gas emissions, a significant increase on 2019 (€17.8 million) and 2020 (€12.35 million).**

(1) Net emissions = Scopes 1 and 2 emissions less absorptions from the atmosphere.
(2) See section 4.1.4.1 a) Transition plan: decarbonizing our operations/Carbon pricing.

To support these capital projects, the Energy competency network was expanded with the creation of an Energy Expert position for Europe, so that now each of the three Regions has an Energy Expert. In addition, a Program Leader tasked with managing and coordinating energy efficiency projects was appointed to a two-year assignment.

2022-2026 plan

The 2022-2026 strategic plan defined in 2021 will be supported by an even larger capital budget, with more than €60 million in average annual outlays driving projected gains of 2.3% a year in energy efficiency and of 3.4% in the carbon intensity of consumed energy (tCO_2/MWh)[1].

The plan is aligned with the Group Policy principle of focusing first on energy efficiency before shifting massively to renewable sources, according to the hierarchy of drivers[2]. In particular, the principle specifies that 42% of capital expenditure shall be dedicated to best energy practices, 27% to process electrification projects (which also considerably reduce fuel consumption) and 31% to boiler house transformation projects.

Driving the Group's energy transition

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 to generate not only electricity but also heat 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.

At the end of 2021, 15 plants prepared their 2030 roadmap, based on a combination of the most fit-for-purpose projects to drive energy efficiency (consuming less) and the energy transition (consuming better). Twenty are already underway and thirty-five are scheduled for launch in 2022.

2021 Achievements

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, 21 Group facilities are equipped with renewable energy installations.

Facility	Technology	Tonnes of CO_2 avoided in 2021*
Bassens, France	Purchase of heat generated by a waste incinerator	10,500 t (direct CO_2)
Cholet, France	Biomass-fired boiler	6,800 t (direct CO_2)
Bourges, France	Biomass-fired boiler	4,200 t (direct CO_2)
Vannes, France	Purchase of household waste methanation heat	50 t (direct CO_2)
La Combaude, France	Purchase of heat from biomass-fired facilities	1,400 t (direct CO_2)
Troyes, France	Purchase of heat generated by a household waste incinerator	2,000 t (direct CO_2)
Nongkae, Thailand	Photovoltaic panels	550 t (direct CO_2)
Phrapadaeng, Thailand	Photovoltaic panels	650t (indirect CO_2)
Laem Chabang, Thailand	Photovoltaic panels	650 t (indirect CO_2)
Rayong, Thailand	Photovoltaic panels	200 t (indirect CO_2)
Chennai, India	Photovoltaic panels	3,900 t (indirect CO_2)
Shenyang, China	Photovoltaic panels	1,600 t (indirect CO_2)
Germany, seven facilities	Photovoltaic panels	10,000 t (power sold back to the grid)
Valladolid, Spain	Photovoltaic panels	1,000 t (power sold back to the grid)
Le Puy, France	Photovoltaic panels	200 t (power 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", 2019 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 31,000 MWh in 2021, 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. The facility was shut down for a maintenance outage in the summer of 2021, but steam deliveries will resume by the end of 2022.

(1) *See note 2.6 to the consolidated financial statements which mentions the two primary drivers to reduce CO_2 emissions.*
(2) *See note 4.1.4.1 a) Transition plan: decarbonizing our operations.*

In Thailand, the 0.87 MWp photovoltaic arrays installed on the Nongkae plant's parking lot shade roofs at the end of 2018 generate around 1,200 MWh of power a year. The installation was the Group's first solar farm whose power is directly used on-site. In 2020, two other production facilities, in Phrapadaeng and Laem Chabang, commissioned the 0.99 MWp photovoltaic panels installed on their plant rooftops and the parking lot shade roofs, which together generated around 2,600 MWh in 2021.

In Chennai, India, 4.2 MWp of rooftop photovoltaic panels came on line in June 2020 and generated 5,100 MWh of power in 2021, covering 11% of the plant’s needs.

Two new installations were commissioned in 2021:

- in **Shenyang,** China, photovoltaic panels on the plant rooftop and parking lot shade roofs were commissioned in the second half. The 6 MWp installation generated 2,600 MWh of power during the year, with full-year capacity rated at nearly 7,000 MWh;
- in April, the plant in **Troyes,** France began purchasing heat from a household waste incinerator, covering around 10% of its needs for the year before rising to an expected 15% in full-year 2022.

Compared with the emissions from previously used energy sources, these on-site renewable energy installations avoided the emission of almost 43,500 tonnes of CO_2 in 2021, of which 32,500 tonnes directly reduced the Group's total CO_2 emissions (versus 21,000 in 2019).

As of end-2021, one project was underway and several were under consideration:

- in **Cuneo,** Italy, a contract was signed for the installation of a biomass-fired 8 t/h boiler and photovoltaic panels, which will reduce the plant’s fossil CO_2 emissions by 15% in 2024 after coming on stream in 2023;
- in **Asia,** the installation of new or additional solar panels is being reviewed at several plants in Thailand, India and China, for a potential increase in capacity of more than 30 MWp;
- in **Golbey,** France, the project to purchase steam from a nearby paper mill continues apace;
- in **Nyiregyhaza,** Hungary, the installation of an electric boiler, powered by electricity from guaranteed renewable sources, could reduce the plant’s emissions by 80%.

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 2021, electricity was purchased from guaranteed renewable sources in Brazil and the Republic of Serbia. In China, in addition to the on-site installations described above, the plants have begun purchasing I-REC-certified[2] electricity.

In 2021, this represented nearly 1,970,000 MWh, for which the corresponding I-RECs were duly canceled in the registry. In all, they covered nearly 30% of consumed electric power and avoided the release of 710,000 tonnes of CO_2 during the year. Without these purchases, the Group's emissions would have been 27% higher for the year.

In Asia, six plants use electricity generated on-site from renewable sources under on-site power purchase agreements. (see table below).

In all, 18.3% of the heat and power used by the Group in 2021 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[3] approved the goal of eliminating coal as an energy source in the production plants by 2030. Studies are underway at four of the five plants to replace coal with another primary energy source, such as natural gas or biomass from sustainably managed sources. In an initial step towards going coal-free, the Olsztyn plant is now getting 20% of its heating from a new gas-fired boiler commissioned in mid-2020. In late 2021, the Louisville plant signed a contract for the installation of a gas-fired boiler scheduled to come on stream in 2024.

The Group’s first zero emission plant

Since the end of 2019, the Gravanches plant in Clermont-Ferrand (France) 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. As in 2020, the 170 MWh of gas needed to supply heat during pump maintenance outages in 2021 were covered by purchases from renewable sources with guarantees of origin.

4.1.4.4 d) Reducing harmful air emissions

Reducing VOC emissions

OUR AMBITIOUS OBJECTIVES

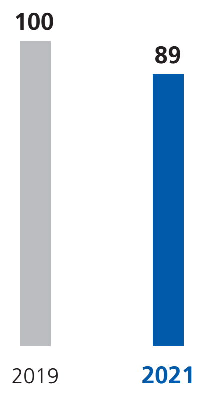
The Group’s strategy to lower its VOC emissions is based on reducing the use of organic solvents in production processes. **The Group’s VOC objective for 2050 is to phase out all VOC-generating organic solvents completely. The intermediate milestone is to reduce VOC consumption per tonne of finished product by 50% between 2019 and 2030.** Achieving this objective means deploying the three levers for action described below and launching innovative research projects to overcome the main technical obstacles.

(1) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.328.01.0082.01.ENG.

(2) I-REC: Renewable Energy Certificate, https://www.irecstandard.org/what-are-recs/#/.

(3) See section 4.1.4 The Environment/Environmental governance.

CHANGE IN VOC EMISSIONS*



* *Absolute value.*

2021 Achievements

In 2021, VOC consumption per tonne of finished product declined by 16.8% compared to 2019.

The Group's VOC strategy is based on activating three key levers:

- 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:
  - a large number of plants have been equipped with portable flowmeters that measure solvent use in real time. Analyzing the data enables us to compare solvent application by machine, by size and by product, so that practices can be aligned,
  - the Aranda plant in Spain has deployed and expanded the best practices derived from the Green-Belt level Lean study conducted in 2020 to lower VOC consumption (optimizing solvent nozzle spraying, improving solvent application, digitalizing monitoring and control, etc.). As a result, the plant reduced the quantity of VOCs used per tonne of finished product by 10% compared to the 2019 baseline. The improvement was led by the sustained, disciplined, innovative deployment of best practices, even before the upcoming deployment of new process, material and product solutions,
  - several plants performed gap analyses of shortfalls from best practices during the year, with the outside perspective helping them to identify new pathways to progress,
  - at the plant in Homburg, Germany, testing and deploying a system to use just the right amount of brightening agent reduced VOC consumption per tonne of finished product by 16% in 2021 compared to the 2019 baseline;
- the introduction of **new process, materials and product solutions** designed to reduce or remove organic solvents at certain interfaces. For example:
  - the two-wheel tire plant in Manaus, Brazil slashed VOC consumption by 80% in 2021 with a variety of material and process upgrades,
  - a new solution based on partially refreshing product interfaces was tested at the Alessandria plant in Italy and the Karlsruhe plant in Germany. These trials showed that consumption per tonne of finished product could potentially be reduced by 20%. The solution will be industrially upscaled at the two plants in 2022,
  - several facilities, including Cuneo in Italy, Karlsruhe and Bad Kreuznach in Germany, Shenyang in China, Nyiregyhaza in Hungary and Roanne in France, participated in the upscaling of a water-based brightening solution in 2021. Due to its impact on the process and the related operating practices, the solution requires further multidisciplinary optimization work, which will continue in 2022,
  - a large number of production facilities are continuing to replace solvents with a thin rubber film on an interface between two products. This is particularly the case of the Nyiregyhaza plant in Hungary, which has already cut consumption per tonne of finished products by 42% compared with 2019 and expects to reduce it by a further 75% by 2025 following full-scale deployment of the rubber interface solution;
- research and development teams are **designing lower organic solvent use** into projects, to ensure that tomorrow's products minimize their impact on VOC emissions. In 2021, internal project specifications were upgraded to set higher targets for reductions in VOC use.

These three improvement drivers are 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.

A network of Group VOC experts meets twice a year to discuss the deployment of best practices, the development of new process, material and product solutions and the progress on innovative research projects. Similar networks are in place for groups of plants with identical processes.

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 2021, specific NO_x emissions amounted to 0.16 kg per tonne of output, versus a calculated 0.17 kg in 2019. SO_x emissions came to 0.16 kg per tonne of output, versus a calculated 0.15 kg in 2019.

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 $DeSO_x/DeNO_x$ scrubber on the coal-fired boiler at the Bassens plant in France. In 2020, a coal-fired boiler was replaced by a gas-fired installation at the Olsztyn plant in Poland. 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].

(1) See section 4.1.4.4 c) Reducing energy use and greenhouse gas emissions/Eliminating coal.

4.1.4.4 e) Reducing and managing waste

OUR AMBITIOUS OBJECTIVES

By 2050, the Group hopes to reduce the amount of waste produced per tonne of total output by 50% compared to 2019 (indicator: kilogram of waste per tonne of semi-finished and finished product). To support progress towards this ambitious goal, **an intermediate milestone of a 25% decrease versus 2019 has been set for 2030.**

Meeting these objectives will enable the Group to maintain the steady reduction in its waste tonnages observed in recent years.

The Group's waste management policies are based on the following principles:

- reducing waste at the source, for example by encouraging reuse or developing technological upgrades;
- promoting recycling across the Group, in particular by building synergies with acquisitions;
- focusing waste treatment processes on recovering and recycling materials rather than recovering energy through burning;
- banning landfilling, unless it can be shown that there is no technically and environmentally viable treatment option for the waste in question. However, this is only to be used as a stopgap while waiting for a zero waste to landfill (0W2L) solution.

This policy is aligned with the Group's 4R strategy (Reduce, Reuse, Recycle and Renew) being deployed to support the circular economy and address the challenges of resource depletion[1].

2021 Achievements

In 2021, the Group produced 33.3 kg of waste per tonne of semi-finished and finished product, representing a 7.5% improvement from the 36.0 kg generated in 2019. In absolute terms, the Group reduced the total amount of waste by 5% in 2021 compared to 2019, to 315,000 tonnes.

While landfilled waste has held steady at less than 4% of total waste generated since 2018, the inclusion of new facilities in the scope of reporting in 2021 led to a 0.5-point increase for the year. In all, 96.4% of all waste was recovered or reused as materials or fuel in 2021. [SASB TR-AP-150a.1]

Lastly, **9% of total waste generated in 2021 was classified as hazardous under each country's legislation.** [SASB TR-AP-150a.1]

- All these gains have been impelled by the initiatives undertaken in every geography to (i) reuse materials or products in-house in less demanding applications; (ii) find new recovery and reuse channels; (iii) continue raising employee awareness across the organization; (iv) review end-of-waste criteria; (v) develop best practices such as repair, regeneration and decontamination.

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.

In the future, in addition to the positive impact of phasing out coal by 2030, the focus will be on digitalizing waste data for use in applications that will support more granular analysis of waste sources, thereby helping to identify effective pathways to progress.

CHANGE IN WASTE GENERATED*

(base 100)

* *Absolute value.*

4.1.4.4 f) Reducing water withdrawals and effluent discharge

OUR AMBITIOUS OBJECTIVES

The Group is committed to eliminating all of its impact on water availability in local communities by 2050. It is well aware of the growing scarcity of this vital resource and is pursuing its strategy of steadily reducing withdrawals. **Its 2030 objective is to reduce these withdrawals, weighted for each facility's specific water stress coefficient, by 33% compared to 2019 (indicator: stress x cu.m per tonne of semi-finished and finished product).**

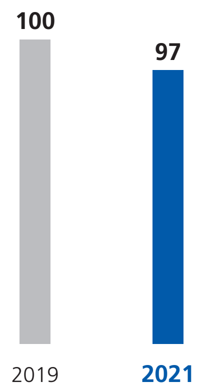
To meet this 2030 target, the Group is activating levers aimed at:

- 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) *(See 4.1.4.2 d) The Michelin 4R strategy for a circular economy).*

CHANGE IN WATER WITHDRAWALS*

(base 100)



* *Absolute value.*

2021 Achievements

Water withdrawals declined by 2.58% in absolute value between 2019 and 2021, even as production output rose by 2.3% over the period. Withdrawals per tonne of semi-finished and finished product declined by 6.7%, led by the significant contribution from the plants in the Asia-Pacific region.

A 2020-2030 water roadmap has been defined at Group level, based on the potential gains from each lever. In 2021, an application was developed to help the plants prepare their own 2030 water roadmaps using the levers and identified best practices. By year-end, around half of them had drafted an initial version. The process is still ongoing in 2022. A network of Group Water Leaders meets quarterly to discuss the deployment of levers and best practices, the possibilities of synergy with energy initiatives and leaders, and the definition of plant-level roadmaps.

In 2021, multi-day workshops organized at more than 20 Group facilities brought together key local stakeholders and experts to discuss water issues (uses/discharges), identify pathways to progress based on the Group-recommended levers or otherwise, and co-build a water roadmap to act as a guiding principle for the plants in the years ahead. This was the case for the vast majority of facilities in the Asia-Pacific region.

The following examples illustrate how these levers are being activated in support of the Group's strategy to reduce its water withdrawals:

- Phrapadaeng, Thailand: in 2021, installation of a reverse osmosis system to treat and recycle wastewater helped to reduce daily water withdrawals by 21% and discharges by 30%. Plans are underway to extend the system, which would reduce daily withdrawals by 50% compared to 2019;
- Rayong, Thailand: the plant pursued its ambitious water conservation plan in 2021, when water use further declined under the impact of such initiatives as reusing hot water between equipment, optimizing cooling towers and raising the temperature of hot water to slow the flow rate to machinery. Between 2019 and 2021, water withdrawals per tonne of semi-finished and finished product were reduced by 20.4% and total annual water withdrawals by almost 31%;
- Bridgewater, Canada: a number of projects, such as reusing curing condensates to fire the boiler and increasing the cycles of concentration in the cooling system enabled the plant to reduce water withdrawals by 11% and water withdrawals per tonne of finished and semi-finished product by 6% compared to 2019. In addition, during the year, the plant began installing equipment to treat water discharged from the metal reinforcement production unit and recycle it as back-up cooling water. The project, which began in 2021, will eventually reduce annual water withdrawals by more than 130,000 cubic meters;
- Greenville, United States: various initiatives, such as replacing the condensate circuit, renovating the cooling towers, improving refrigeration system command and control, and deploying a disciplined leak detection and treatment procedure enabled the plant to reduce its water withdrawals by 18% and its withdrawals per tonne of finished and semi-finished product by 10% compared to 2019.

Other studies are currently being reviewed to reduce water withdrawals and will deliver their results in the years to come.

- Cholet, France: the outside study completed in 2021 identified a wide range of reuse or recycling opportunities and enabled the preparation of a water roadmap calling for a 61% reduction in water withdrawals per tonne of semi-finished and finished product by 2030. In 2021, an evaporator-concentrator came on stream for wastewater treatment, while in 2022 a heat pump will be installed and detailed studies will be undertaken to fine-tune the costs and benefits of the roadmap's many other initiatives;
- Valladolid, Spain: the program to digitalize the plant's water management system is nearing completion. An outside study is underway to explore possibilities of reusing or recycling intermediate process effluent. Its findings will help to broaden and deepen the initial version of the plant's water roadmap, which already provides for a 33% reduction in water consumed per tonne of semi-finished and finished product compared with 2019;
- Alessandria, Italy: for the past two years, the plant has been deploying an ambitious program that is redesigning its installations to close loops and optimize water use. Between 2019 and 2021, initiatives already underway reduced annual withdrawals by 19% and water withdrawals per tonne of semi-finished and finished product by 28.3%. The plant's 2030 water roadmap calls for a more than 70% reduction in water withdrawals compared to 2019.

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 B in 2021**[1]**.**

(1) *https://www.michelin.com/en/documents/response-to-cdp-water-security-questionnaire-2020/.*

4.1.4.4 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 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, four new CSS procedures were initiated in 2021 and eight were closed, bringing the total number of procedures completed since 2015 to 103.

4.1.4.4 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 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.

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" operational committee 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.

Based on the detailed inventory of Michelin's digital carbon emissions, the committee led the following initiatives in 2021:

- approved a training program to certify people as a "sustainable digital ambassador," to be deployed in 2022;
- raised employee awareness through conferences on the impact of digital technology and the transition from "green IT" to "IT for green";
- formalized action plans for key sustainable digital units (Purchasing, Information Systems, Services & Solutions, R&D);
- researched, with the support of outside partners, automated solutions for tracking energy use in our data centers and our digital applications;
- issued the white paper on the reuse of IT equipment with other manufacturers in the Movin'On Lab.

4.1.4.5 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" strategy, 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.

These volumes are as follows:

- total tonnes of CO_2 emissions in Scopes 1 and 2, as described in section 4.1.4.1 a);
- 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 4.1.4.1 a);
- total tonnes used of organic solvents generating volatile organic compounds (VOC) (see section 4.1.4.4 d);
- total cubic meters of water withdrawn, both used and discharged. (see section 4.1.4.4 d).

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.

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 at the beginning of Chapter 4.

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 expenses when (i) additional consumables must be purchased after VOC-generating organic solvents have been replaced by aqueous solutions; and (ii) additional treatment products must be purchased when wastewater 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 potential 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).
- The calculations are cross-checked against outside benchmarks to confirm that the unit externality costs determined by our generic method rank at the top of the range calculated according to these outside methods.

In the end, the unit costs used to value the three externalities are:

- for water, €2.4 per cubic meter, as determined by the method;
- for VOCs: €2,100 per tonne, based on the outside benchmark, which was higher than the calculation from the method;
- for CO_2, €100 per tonne for the 2021 exercise. This represented an increase from the €58 per tonne calculated for the first exercise, after the conservative approach prompted a recalculation to reflect the sharp run-up in carbon quota prices on the European market in late 2021.

The outside benchmarks used for cross-checking were as follows:

- CO_2: we compared the calculated cost to (i) the prices applied by leading corporations in their internal carbon fees; (ii) the price indicated in Delft University's Environmental Prices Handbook 2017 (Environmental prices for average atmospheric emissions in the Netherlands – "central" carbon dioxide price); and (iii) the price of carbon quota prices on the European market;
- 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.

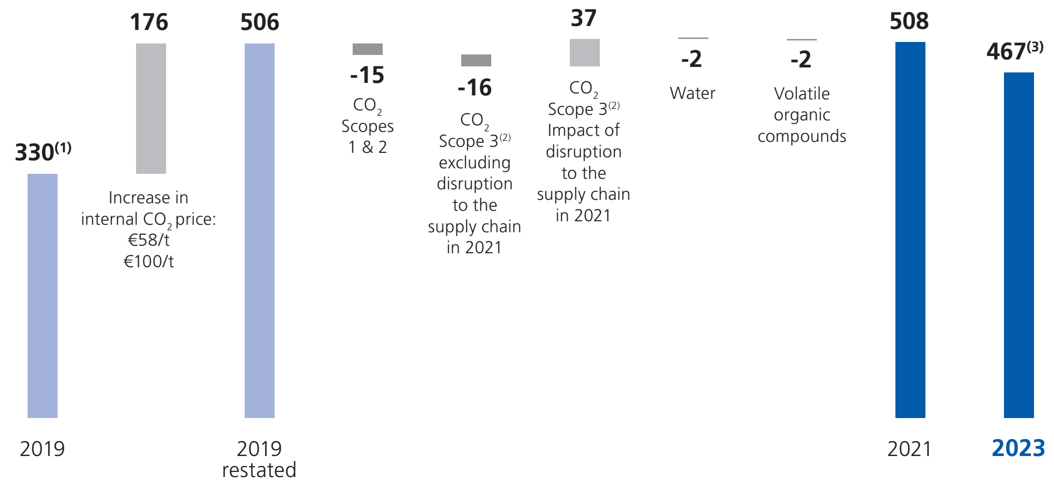
On this basis, and in light of the ongoing deployment of the scheduled reduction plans, the cost of valued externalities is expected to decline by around 7.5% in 2023 compared to the 2019 baseline.

In 2021, the total cost of valued externalities (€508 million) was up a very slight 0.4% on the 2019 baseline, based on the same unit cost per tonne of CO_2 (€100) and the same method of calculating carbon emissions from upstream and downstream transport and distribution operations (see section 4.1.4.1 a). The 2021 performance was dampened by the occasional use of air freight to deliver natural rubber to our plants, due to maritime shipping capacity constraints, which added €37 million to CO_2 emission costs for the year. The underlying progress made in reducing each externality puts us firmly on track to fulfill our 2023 commitments.

COST OF TARGETED NEGATIVE EXTERNALITIES

		A 2019			A 2021		P 2023*		
		At the initial cost of €58 per tonne of CO_2	At the updated cost of €100 per tonne of CO_2	Following adjustment in the method of calculating transportation-related CO_2 emissions	At a cost of €100 per tonne of CO_2	Excluding impact of supply chain disruptions in 2022	At the initial cost of €58 per tonne of CO_2	At the updated cost of €100 per tonne of CO_2	Following adjustment in the method of calculating transportation-related CO_2 emissions
CO_2 emissions: Scopes 1 and 2	*Thousands of tonnes*	**2,919**	**2,919**	**2,919**	**2,764**	**2,764**	**2,665**	**2,665**	**2,665**
Unit cost	*€/t*	58	100	100	100	100	58	100	100
Fair value	*In € millions*	169	292	292	276	276	155	267	267
CO_2 emissions: Scope 3 Upstream and downstream transportation and distribution**	*Thousands of tonnes*	**1,277**	**1,277**	**1,301**	**1,510**	**1,141**	**1,190**	**1,190**	**1,212**
Unit cost	*€/t*	58	100	100	100	100	58	100	100
Fair value	*In € millions*	74	128	130	151	114	69	119	121
VOC consumption	*t*	**7,634**	**7,634**	**7,634**	**6,782**	**6,782**	**7,229**	**7,229**	**7,229**
Unit cost	*€/t*	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100
Fair value	*In € millions*	16	16	16	14	14	15	15	15
Water withdrawals	*Thousands of cu.m*	**28,227**	**28,227**	**28,227**	**27,498**	**27,498**	**26,730**	**26,730**	**26,730**
Unit cost	*€/cu.m*	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Fair value	*In € millions*	68	68	68	66	66	64	64	64
TOTAL COST	*In € millions*	**327**	**503**	**506**	**508**	**471**	**303**	**465**	**467**
Change from 2019					+0.4%		-7.4%		-7.7%

* *At 2021 scope of reporting.*
** *Proportion of Scope 3 upstream and downstream transport and distribution corresponding to our SBTi commitments.*



(1) *Including €3 million from adjustments in the method of calculating transportation-related CO_2 emissions.*
(2) *Covers only the inbound and outbound transportation and distribution of natural rubber, semi-finished products and finished products.*
(3) *Corresponds to the 2023 target of approximately €300 million announced at the CMD on April 8, 2021, adjusted for the tonne of CO_2 valued at €100/t and the change in method mentioned in (1).*

4.1.5 SUMMARY TABLE OF EMPLOYEE DATA

Scope of reporting in the human resources management software:

	2021	2020	2019	2018	2017	GRI Indicator
Employees on payroll at December 31* *(consolidated companies, under any form of work contract, excluding temp agency workers)*	124,767	**123,642**	**127,187**	**117,393**	114,069	GRI 102-7
Full-time equivalent employees at December 31* *(consolidated companies, excluding interns, apprentices, work-study trainees and temp agency workers)*	118,414	**117,454**	121,339	111,117	107,807	GRI 102-7
Employees by gender *(employees on payroll, under any form of work contract, excluding temp agency workers and the dealership networks)*						
Men	80.2%	80.9%	81.4%	81.9%	82.5%	
Women	19.7%	19.1%	18.6%	18.1%	17.5%	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	61.5%	61.3%	61.2%	61.8%	62.2%	
Administrative and technical staff and supervisors	28.8%	29.1%	29.3%	29.5%	29.4%	
Managers**	9.6%	9.6%	9.4%	8.7%	8.4%	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	6%	5.5%	5.6%	5.9%	5.8%	
25-34	25.7%	25.8%	26.2%	26.3%	26.3%	
35-44	30.8%	30.8%	30.2%	29.9%	29.4%	
45-54	25.2%	24.9%	24.3%	23.4%	23.0%	
55-64	11.7%	12.4%	13.1%	14.0%	15.1%	
Over 65	0.5%	0.5%	0.5%	0.5%	0.4%	
Employees by length of service *(full-time equivalent employees, as a %)*						
Less than 2 years	14.8%	12.7%	14.3%	15.5%	15.2%	
3-5 years	16.3%	16.6%	15.4%	14.5%	13.8%	
6-10 years	18.3%	19.3%	19.7%	17.5%	17.9%	
11-15 years	14.4%	13.8%	12.5%	14.28%	13.8%	
16-20 years	11.2%	12.1%	11.9%	11.6%	13.1%	
More than 20 years	24.9%	25.6%	26.2%	26.8%	26.1%	
Employee movements *(permanent work contracts)*						
New hires		5,116	7,023	7,957	7,553	
Resignations	6,133	3,500	4,346	3,378	2,682	
Dismissals and terminations by mutual agreement	2,151	1,911	1,756	2,624	2,524	
Retirement	1,888	2,341	2,357	2,484	2,077	
Death	117	114	103	97	120	
Attrition rate *(excluding retirements and excluding the dealership networks and recently acquired companies)*	9.5%	6.2%	6.9%	6.8%	5.9%	
Contract employees *(excluding temp agency workers, as a %)*	4.1%	4.0%	4.2%	4.7%	5.2%	
Part-time contracts	2.8%	3.0%	3.6%	3.6%	4.4%	
Training hours *(employees on payroll, under any form of work contract, excluding temp agency workers)*						
Percentage of training hours per total hours worked	2.6%	2.0%	2.9%	3.1%	3.2%	
Percentage of employees who received training during the year	97%	93%	98%	97%	85%	
Number of hours of training per employee per year	44	34	49	53	54	GRI 404-1
Total training hours *(excluding temp agency workers and the dealership networks)*	4,318,794	3,104,429	4,585,897	5,008,971	5,107,806	

	2021	2020	2019	2018	2017	GRI Indicator
Occupational accidents *(including the dealership networks; excluding recently acquired companies, excluding temp agency workers)*						
Serious accident frequency rate (TA+)	0.67	0.7	0.7			
TCIR entire Group	1.29	1.19	1.43	1.9	2.1	
Diversity *(employees on payroll, under any form of work contract, excluding temp agency workers)*						GRI 405-1
IMDI	67	62				
Percentage of women in extended management[1]	28.9%	28.2%	27.4%	26.8%	25.7%	
Percentage of local top managers in growth-region countries	83%	79%	75%	75%	74%	GRI 405-1 GRI 202-2
Percentage of management positions held by employees promoted or transferred from within	73%	74%	74%	76%	76%	
Employee engagement rate	80%	82%	80%	80%	80%	
Number of Progress Ideas	57,950	50,131	61,825	62,802	59,082	

* *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.*

4.2 NON-FINANCIAL STATEMENT

Non-Financial 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 table of concordance 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

As part of its social responsibility commitment, the Group has plotted a materiality matrix. This exercise has helped to strengthen the robustness and relevance of the main identified issues and to enhance the Group's overall risk management process (see page 152, section 4.1 Sustainable Development and Mobility Report/Introduction – Michelin Sustainable Development and Mobility/Materiality Matrix).

The concerns identified in the new matrix represent not only opportunities for Michelin to grow and develop its businesses, but also issues that could involve risks. For this reason, the materiality matrix is closely aligned with the risk map, according to the table of concordance below, with updates to one resulting in changes in the other. As such, the materiality matrix serves as the frame of reference in identifying the "main risks" that structure this Non-Financial 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 Chapter 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 plotting the materiality matrix and the definitions of the Group's risk factors. They have also been post-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 prior years.

(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.*

The performance indicators for each of the main risks are mostly derived from the six strategic objectives for 2030 (Chapter 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 Statement. In the interests of transparency and materiality, however, other indicators have been presented alongside the deployed policies, depending on the issues addressed.

4.2.2 TABLE OF CONCORDANCE – NON-FINANCIAL STATEMENT

Managing the social and environmental impact of our business operations

			4.1 Sustainable Development and Mobility Report	
No.	**Materiality matrix issue**	**Main risk identified in the CSR map**	**Policies, due diligence and outcomes**	**Key Performance Indicators and Objectives/Key outcomes**
1	**Employee health and safety**	9 – Employee and contractor health and safety	4.1.3 Employee health and safety	▶ Achieve a total case incident rate (TCIR) of less than 2 ▶ Achieve and maintain an 85% employee engagement rate
2	**Quality and safety of products and services**	8 – Tire product safety	4.1.1.3 Guaranteeing the quality of our products and services	▶ Improve the Partner NPS by ten points and the End Customer NPS by five points by 2030
3	**Direct contribution to climate change (Scopes 1 & 2)**	6 – Climate change impact of our Scope 1 & 2 operations	4.1.4.1a) Transition plan: decarbonizing our operations/Scopes 1 & 2: reaching net zero emissions in the manufacturing operations by 2050	▶ Scopes 1 & 2: reaching net zero emissions in the manufacturing operations by 2050
4	**Environmental impact of raw materials**	4 – Non-climate change-related impact of our raw materials on the environment	4.1.4.2 Improving full circularity in our products	▶ Use only sustainable materials by 2050 ▶ Commitment to using 40% sustainable materials by 2030

5	**Indirect contribution to climate change (Scope 3)**	3 – Climate change impact of our suppliers (Scope 3)	4.1.4.1 a) Transition plan: decarbonizing our operations	
			▪ Scope 3: aiming for carbon neutrality in the supply chain with raw materials and components vendors	▶ Suppliers representing 70% of GHG emissions from purchased goods and services (Scope 3, category 1) are expected to set science-based reduction targets by 2024.
			▪ Scope 3: reducing emissions from our logistics operations	▶ Reduce carbon emissions in the supply chain by 10% compared with 2010
		1 – Climate change impacts from the use of our products (Scope 3)	4.1.4.1 b) Transition plan: company strategy/ Opportunities and risks/Designing ultra-energy efficient products	▶ Improve the energy efficiency of tires by 10% in 2030 compared to 2020
6	**Respect for human rights in the supply chain**	2 – Supplier failure to respect human rights	4.1.1.2 Demonstrating our CSR commitments through responsible procurement policies	▶ Percentage of suppliers assessed by EcoVadis that are confirmed as compliant – Objective: 70%
7	**Sustainable sourcing and responsible supplier relations**	5b – Non-compliance with our Supplier Relations Code of Conduct		
8	**Development of products and services beyond the tire**	Strategic risk addressed in section I		
9	**Diversity and equal opportunity**	7 – Discrimination	4.1.2.2 Instilling an inclusive culture of diversity and preventing discrimination	▶ **IMDI**: a composite indicator tracking diversity and inclusion
10	**Business ethics**	5a – Ethical violations	4.1.1.1 Ensuring ethical business practices	Types of calls to the ethics hotline A performance indicator to track the Group's anti-corruption policies is currently being introduced and will be presented in the 2022 Universal Registration Document

Impact of the Group's business operations	
▶ on respect for human rights	4.1.2.1 Ensuring respect for human rights
	4.1.1.2 Demonstrating our CSR commitments through responsible procurement policies
▶ on the fight against corruption	4.1.1.1 b) Taking a firm stand against corruption
▶ on the fight against tax evasion	4.1.1.1 c) Responsible tax management
Impacts on climate change	
▶ of the Company's business operations	4.1.4.1 Climate strategy
	4.1.4.1 a) Transition plan: decarbonizing our operations/Scopes 1 & 2: reaching net zero emissions in the manufacturing operations by 2050
	4.1.4.4 c) Reducing energy use and greenhouse gas emissions
	4.1.4.1 a) Transition plan: decarbonizing our operations/Scope 3: aiming for carbon neutrality in the supply chain with raw materials and components vendors.
	4.1.4.1 a) Transition plan: decarbonizing our operations/Scope 3: reducing emissions from our logistics operations
▶ of the use of the Company's products and services	4.1.4.1 b) Transition plan: company strategy/Opportunities and risks/Designing ultra-energy efficient products

Social commitments to supporting	
▸ sustainable development	4.1.4.3 Supporting biodiversity 4.1.2.5 Encouraging employee and corporate engagement in local communities
▸ the circular economy	4.1.4.2 Improving full circularity in our products
▸ 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. In 2021, the new **MICHELIN Green Star** award was introduced to help users find restaurants in the various selections that are leading the way in environmentally responsible fine dining. In this way, the MICHELIN Guide hopes to raise awareness and encourage action in the restaurant industry and among consumers. Lastly, by showcasing the restaurants through all its interfaces and communication channels, the MICHELIN Guide is expressing its commitment to bringing together gastronomic transition stakeholders and encouraging positive emulation across the sustainable fine dining and food community.
▸ 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 diversity and preventing discrimination

4.2.3 TABLE OF CONCORDANCE – OTHER CSR ISSUES

Managing the social and environmental impact of our business operations

			4.1 Sustainable Development and Mobility Report	
No.	**Materiality matrix**	**Other identified risks and issues**	**Description**	**Policies, due diligence and outcomes**
	HUMAN RIGHTS			
17	**Local community development**		4.1.2.5 Encouraging employee and corporate engagement in local communities	4.1.2.5 a) Dialogue with stakeholders 4.1.2.5 b) Creating local jobs and businesses with Michelin Development 4.1.2.5 c) Participating harmoniously in local community life through our employees 4.1.2.5 d) The Michelin Foundation: demonstrating our corporate culture and values 4.1.2.5 e) Fostering closer relations with environmental protection associations 4.1.2.5 f) Addressing the risk of potentially negative impacts of our business on local communities
19	**Attracting and retaining talent**	Lack of attractiveness	4.1.2.4 Supporting employee growth and development	4.1.2.4 b) Employer attractiveness, promoting from within, team succession plans 4.1.2.4 c) Employee growth and development 4.1.2.4 d)The division of roles supporting the process 4.1.2.4 e) Enhancing skills through training
20	**Developing employee skills**	Managing social cohesion, people and human rights/ Employee skills mismatch	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
22	**Employee volunteer service**		4.1.2.5.b) Participating harmoniously in local community life through our employees	4.1.2.5.b) Participating harmoniously in local community life through our employees/Michelin Volunteers guidelines
	EMPLOYEE HEALTH AND SAFETY			
21	**Fostering workplace well-being**	Malaise at work	4.1.3.5 Well-being in the workplace: improving work-life balance	4.1.3.5 Well-being in the workplace: improving work-life balance
	ENVIRONMENT AND CLIMATE CHANGE			
14	**Air quality**	Air and water pollution	4.1.4.4 c) Reducing energy use and greenhouse gas emissions 4.1.4.4 d) Reducing harmful air emissions	4.1.4.4 c) Reducing energy use and greenhouse gas emissions 4.1.4.4 d) Reducing harmful air emissions
15	**Eco-design of our products and services**	Environmental risks from raw materials and end-of-life tires	4.1.4.2.b) Deploying eco-design practices	4.1.4.2.b) Deploying eco-design practices
16	**End-of-life products**	Environmental risks from raw materials and end-of-life tires	4.1.4.2.d) The Michelin 4R circular economy process	4.1.4.2.d) The Michelin 4R circular economy process

24	**Responding to environmental damage**	Risks related to the physical impacts of climate change	Addressed in Chapter 2 Risk Management	
25	**Protecting soil quality and biodiversity**	Damage to biodiversity	**4.1.4.3 Supporting biodiversity**	4.1.4.3 a) New individual act4nature commitments 4.1.4.3 b) Preserving biodiversity and ecosystems in rubber tree farming 4.1.4.3 c) Preserving biodiversity around Group manufacturing and research facilities
26	**Waste management**	Risks arising from the tire manufacturing process and end-of-life tires	4.1.4.4.e) Reducing and managing waste 4.1.4.2.d) The Michelin 4R circular economy process	
27	**Responsible water management**	Air and water pollution	4.1.4.4 f) Reducing water withdrawals and effluent discharge	
OTHER MATERIALITY MATRIX ISSUES				
12	**Data protection**		4.1.1.1.d) Protecting employee privacy and personal data	
13	**Responsible governance**		4.1 Sustainable Development and Mobility Report/Introduction – Michelin Sustainable Development and Mobility/Governance	
18	**Transparency and access to information**		4.1 Sustainable Development and Mobility Report/Introduction – Michelin Sustainable Development and Mobility/Non-financial performance: Michelin, a recognized "All Sustainable" vision 4.1.2.3 c) Transparency: information concerning redundancy plans, job retention initiatives and retraining, placement and support programs during the year	

4.2.4 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

For the year ended December 31, 2021

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.

Compagnie Générale des Etablissements Michelin

23 Place des Carmes Déchaux

63000 Clermont-Ferrand, France

To the Shareholders,

In our capacity as Statutory Auditor 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 statement for the year ended December 31, 2021 (hereinafter the “Statement”), prepared in accordance with the entity's procedures (hereinafter the “Guidelines”), 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*).

Conclusion

Based on the procedures performed, as described in the “Nature and scope of our work” section, and the elements that we have collected, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not compliant 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.

Preparation of the non-financial statement

The absence of a generally accepted and commonly used framework or established practices against which to evaluate and measure the Information allows for the use of varying, but acceptable, measurement techniques that may affect comparability between entities and over time.

Consequently, the Information needs to be read and construed in accordance with the Guidelines, the main elements of which are available on request from the entity's head office.

Inherent limitations in preparing the Information

As indicated in the Statement, the Information may be subject to uncertainty that is inherent to the state of scientific and economic knowledge and to the quality of the external data used. Certain information is sensitive to the methodological choices, assumptions and/or estimates used to prepare the Information presented in the Statement.

The entity's responsibility

The Managing Chairman is responsible for:

- selecting or establishing suitable criteria for the preparation of the Information;
- preparing a Statement pursuant to legal and regulatory requirements, including 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 and, where applicable, the information required by Article 8 of Regulation (EU) 2020/852 (Green Taxonomy); and
- implementing the internal control procedures it deems necessary for the preparation of Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared in accordance with the entity’s Guidelines as mentioned above.

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 main risks (hereinafter the "Information").

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

It is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the information required by Article 8 of Regulation (EU) 2020/852 (Green Taxonomy), the French duty of care law and anti-corruption and tax evasion legislation;
- the fairness of the information required by Article 8 of Regulation (EU) 2020/852 (Green Taxonomy);
- the compliance of products and services with the applicable regulations.

Regulatory provisions and applicable professional standards

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 guidelines of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* – CNCC) applicable to such engagements, as well as with ISAE 3000 (Revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information.*

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 statutory auditors. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the applicable legal and regulatory requirements, ethical requirements and the professional guidelines of the CNCC relating to this engagement.

Means and resources

Our work was carried out by a team of seven persons between September 2021 and February 2022 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 the preparation of the Statement, representing the CSR, administration and finance, compliance, human resources, health and safety, environmental and purchasing departments.

Nature and scope of our work

We planned and performed our work considering the risk of material misstatement of the Information.

We believe that the procedures carried out, based on our professional judgment, are sufficient to provide a basis for our limited assurance conclusion:.

- we obtained an understanding of the activities of all the entities included in the scope of consolidation and the description of the main risks;
- 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 regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement presents the information set out in Article L. 225-105 II, where relevant to the main risks, and includes an explanation of the reasons justifying the absence of the information required under Article L. 225-102-1;
- we verified that the Statement presents the business model and a description of the main 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 related to the main risks;

- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the main risks and the consistency of the outcomes and the key performance indicators used with respect to the main risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important, presented in the appendix. For certain risks, associated with anti-corruption, the fight against tax evasion and responsible purchasing, our work was performed at consolidation entity level; for other risks, work was carried out at consolidation entity level and in a selection of entities: Homburg (Germany), Pictou (Canada), Vitoria and Valladolid (Spain), Spartanburg (United States), Bassens, Carmes, Cholet and Troyes (France), Zalau (Romania), Pirot (Serbia), Rayong and Phra Pradaeng (Thailand), Euromaster France and Euromaster Sweden;
- we verified that the Statement covers the scope of consolidation, i.e., all the entities included in the scope of consolidation in accordance with Article L. 233-16 within the limitations set out in the Statement;
- we made inquiries about the internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important, presented 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 or other methods, 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 at a selection of contributing entities, namely Homburg (Germany), Pictou (Canada), Vitoria and Valladolid (Spain), Spartanburg (United States), Bassens, Carmes, Cholet and Troyes (France), Zalau (Romania), Pirot (Serbia), Rayong and Phra Pradaeng (Thailand), Euromaster France and Euromaster Sweden, and covers between 20% and 41% of the consolidated data selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance engagement are less extensive than those required for a reasonable assurance engagement performed in accordance with the professional guidance of the CNCC; a higher level of assurance would have required us to carry out more extensive procedures.

Neuilly-sur-Seine, February 17, 2022

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;
- i-MEF and its components (energy, water, volatile organic compounds, CO_2 (Scopes 1 and 2), waste);
- CO_2 emissions from logistics operations;
- Improvement in energy efficiency compared with the 2020 baseline;
- Percentage of renewable or recycled raw materials in our tires;
- Percentage of facilities ISO 14001 certified;
- 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;
- Index of management of diversity and inclusion and its components (gender, identity, multi-nationality management, disability, equal opportunities);
- Percentage of training hours per total hours worked;
- Percentage of management positions held by employees promoted or transferred from within;
- The Group-wide employee engagement rate as measured by the annual "Moving Forward Together" survey and other indicators relating to this survey;
- Employee response rate to the "Moving Forward Together" survey;
- Volume of natural rubber purchases assessed by a desktop review and volumes of purchases confirmed as compliant;
- Percentage of employees involved in volunteer activities;
- Percentage of employee shareholders;
- Percentage of natural rubber volumes covered by evaluations on the topic of "social and human rights";
- Percentage of assessed suppliers confirmed as compliant with respect to the topic of "social and human rights".

Qualitative information (actions and outcomes):

- Safety of users of Michelin products and services (regulatory tests, safety tests);
- Sustainable and responsible operations (France Supply Chain, initiatives in Canada, biodiversity initiatives, water initiatives);
- Responsible purchasing (responsible purchasing training course, training module on ethical rules, initiatives with the WWF);
- RubberWay (deployment, farmer participation);
- Energy transition and decarbonization (Livelihoods and Livelihoods 2, renewable energy initiatives).

4.3 DUTY OF CARE PLAN

4.3.1 METHODOLOGY

For the fifth year in a row, Michelin has prepared a Duty of Care Plan in compliance with French Act No. 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 Management Committee, comprising every member of the Group Executive Committee as well as the Heads of the Legal, Purchasing, and Sustainable Development and Mobility Departments. It coordinates three governance bodies – Environment, Human Rights, and Employee 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 Supplier Relations Code of Conduct, 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, including its Non-Financial Statement 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 2021 by a Sustainable Development and Mobility Department working group comprising representatives from the Internal Control, Risk Management, Environment and Prevention, Purchasing, Legal 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[1]	Indicators	Implementation trackers
Environmental risks	**Presentation of risks related to environmental and climate change** **Presentation of risk factors related to the environmental impact of products** **Presentation of environmental risk factors related to production and supply chain operations**			
	Climate change impact of our Scope 1 & 2 operations	4.1.4.1 a) Transition plan: decarbonizing our operations	CO_2 emissions from manufacturing operations	Deployment and outcomes of carbon footprint targets for 2030 and preparation of a pathway to reaching net zero emissions in manufacturing operations by 2050 Deployment and outcomes of the reduction in carbon emissions
	Climate change impacts from the use of our products (Scope 3)	4.1.4.1 a) Transition plan: decarbonizing our operations	Tire energy efficiency	Inventory of Scope 3 carbon emissions Tracking tire energy efficiency Reducing the rolling resistance of passenger car, light truck and heavy truck tires
	Climate change impact of our suppliers (Scope 3)	4.1.4.1 a) Transition plan: decarbonizing our operations	Percentage of raw material suppliers responding to the CDP Percentage of emissions from purchased goods and services sourced from suppliers with "science-based" targets	Aiming for carbon neutrality in the supply chain with raw materials and components vendors
	Air and water pollution	4.1.4.4 c) Reducing energy use and greenhouse gas emissions 4.1.4.4 d) Reducing harmful air emissions 4.1.4.4 f) Reducing water withdrawals and effluent discharge	Michelin Environmental Performance (i-MEP)	Improvement in i-MEP performance, 2019-2021, p. 217 Deployment and outcomes of the reduction in VOC emissions Tracking water withdrawals, weighted for water stress Deployment and outcomes of the reduction in SO_x and NO_x emissions
	Non-climate change-related impact of our raw materials on the environment	**4.1.4.2. Enhancing the circularity of our products** 4.1.4.2 b) Deploying eco-design practices	Sustainable materials rate	Deployment and outcomes of the reduction in fossil fuel and water use in 2021 Deployment and outcomes of the use of renewable energy sources in 2021 Deployment and outcomes of the increase in the percentage of recyclable materials in 2021 Deployment and outcomes of the Michelin 4R strategy in 2021 Deployment and outcomes of waste reduction in 2021

(1) Chapter where the information is present.

Risk family	Risks	Risk definition and prevention[1]	Indicators	Implementation trackers
Health and safety risks	**Presentation of risk factors related to the health and safety of employees and others in the workplace**			
	Occupational accidents	4.1.3.4. c) Measuring and tracking occupational accidents	Total Case Incident Rate (TCIR)	Measures introduced to prevent occupational accidents
	Exposure to chemicals	4.1.3.3 c) Managing industrial hygiene risks to protect employee health	Product data sheets in the local language	Deployment and outcomes of the measures taken to manage chemical risks in 2021 Production facilities are entirely asbestos-free
	Ergonomics	4.1.3.3 d) Improving production workstation ergonomics	Capital expenditure dedicated to ergonomic projects	Deployment and outcomes of the measures taken to prevent ergonomic risks in Michelin production plants in 2021 Change in capital expenditure dedicated to ergonomic projects in 2021
	Malaise at work	4.1.3.3 Safeguarding employee health 4.1.3.5 Well-being in the workplace: improving work-life balance 4.1.3.5 b) Quality of work-life: listening to needs and measuring performance 4.1.3.5 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 QWL satisfaction rate[2]	Tracking the "*Moving Forward Together*" survey on this issue in 2021 Deployment and outcomes of the measures to prevent psychosocial risks in 2021
	Epidemic: Covid-19 pandemic	**4.1.3.1 Keeping people healthy**/Responding to Covid-19 with an effective health protocol	Report of Covid-19 cases at Group level by the RSSE "How are you?" survey	Health protocol validated by an external audit Protocol deployment tracked by the SE Group Steering Committee
	Safety in countries at risk	4.1.3.2 a) Managing workplace safety	Country risk map	Deployment and outcomes of the measures taken to prevent workplace safety risks

(1) Chapter where the information is present.
(2) QWL: Quality of Work Life.

Risk family	Risks	Risk definition and prevention[1]	Indicators	Implementation trackers
Human rights risks	**Presentation of human rights risks**			
	Discrimination	**4.1.2.2 Instilling an inclusive culture of diversity and preventing discrimination** 4.1.2.2 a) A comprehensive, worldwide commitment 4.1.2.2 b) Targeted initiatives in the five areas of diversity	IMDI: a composite indicator tracking the management of diversity and inclusion in five areas: ▶ gender equality in the workplace ▶ identity (age, religion, sexual orientation, etc.) ▶ multi-national management ▶ disability ▶ equal opportunity	Deployment and outcomes of the measures taken to drive improvement in the five IMDI metrics
	Harassment	4.1.2.1 b) Human rights - Organization and ambitions	Whistleblowing system	Training and e-learning
	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 2021 Deployment and outcomes of the annual "Moving Forward Together" survey and employee engagement rate in 2021
	Non-compliance with personal data protection legislation	4.1.1.1 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 2021
	Failure to uphold our human rights commitments	4.1.2.3 b) Offering fair compensation and benefits 4.1.2.5 f) Addressing the risk of potentially negative impacts of our business on local communities	Percentage of employees paid a decent wage Percentage of employees with a social protection floor	Implementation of the decent wage policy Feasibility study for the creation of a social protection floor Drafting of guidelines for preventing risks to local communities
	Product and service safety	**4.1.1.3 Guaranteeing the quality of our products and services** 4.1.1.4 An active role in safeguarding consumers and the environment	Michelin Total Performance	Michelin programs as part of the TIP on tire wear particles in 2021

(1) Chapter where the information is present.

Risk family	Risks	Risk definition and prevention[1]	Indicators	Implementation trackers
Supplier risks	**Demonstrating our CSR commitments through responsible procurement policies**			
	CSR risks based on nature and purchasing category	**4.1.1.2 Demonstrating our CSR commitments through responsible procurement policies** 4.1.1.2 a) Governance and organization 4.1.1.2 b) Identifying categories and countries at risk and assessing suppliers	Number of suppliers assessed by EcoVadis Percentage of suppliers assessed by EcoVadis that are confirmed as compliant	Compliance with the Michelin Purchasing Principles, the Supplier Relations Code of Conduct and the Sustainable Natural Rubber Policy Spending covered by EcoVadis assessments (based on procurement categories and countries at risk)
Category management	Raw materials procurement	4.1.1.2 b) Identifying categories and countries at risk and assessing suppliers 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 2021 Deployment of a specific program on greenhouse gas emissions (CDP report and "science-based" targets)
	Natural rubber procurement	4.1.1.2 c) A dedicated approach for natural rubber	Sourced volumes covered by the RubberWay® application Number of RubberWay® questionnaires	Deployment and outcomes of the various natural rubber partnerships in 2021 (WWF and GPSNR) Analysis of the 2021 results from the RubberWay® application and implementation of on-site action projects as needed
Other issues				
Dialogue with stakeholders	4.1.2.5 a) Stakeholder dialogue			
Managing risks related to recent acquisitions	Chapter 2: Managing risks – Mergers, acquisitions and alliances			
Whistleblowing systems				
4.1.1.2 a) Establishing a global ethical framework Whistleblowing controls and procedures 4.1.1.3 b) Risk identification and levers for action Mediation with suppliers				

(1) *Chapter where the information is present.*

The empowerment of people at all levels of the company goes hand in hand with our simplification drive, as it fosters agility and innovation as close to operations and customers as possible.

05 FINANCIAL PERFORMANCE

COVID-19: IMPACT OF THE HEALTH CRISIS ON THE GROUP'S OPERATIONS IN 2021

In 2021, the world transitioned from a state of sudden shock and a worldwide economy supported by governments and central banks to a possible "new normal," to which the Michelin Group successfully adapted thanks to the strength of its assets and the unflagging commitment of its teams.

After the unprecedented slowdown in global demand that shaped 2020, tire markets generally returned to pre-crisis levels in 2021, with the exception of:

- automotive Original Equipment tire markets, which were hard hit by sluggish new vehicles production, dampened by the worldwide shortage of semiconductors;
- aircraft tire markets, due to the severe disruptions in air traffic as mobility restrictions were introduced in response to new variants.

Details of demand in each market may be found in section 5.1.1 Tire markets below.

Initiatives undertaken to attenuate the impact of the health crisis while securing business continuity

All the Group's host regions were affected by Covid-19 during the year. Following on from the initiatives undertaken in 2020, the Group continued to focus on its two core priorities: protecting the health and safety of its employees and partners and doing everything necessary to ensure business continuity.

The resulting protective measures resulted in additional costs over the year that, while lower than in 2020, were nevertheless significant. The total cost of purchasing and producing face masks, providing hand sanitizer and cleaning and disinfecting business premises came to €26 million in 2021, versus €96 million in 2020.

In addition, plant productivity and production capacity were curtailed by Covid-19-related absences among employees, social distancing rules and the time spent on cleaning and disinfecting plant premises and production equipment. In all, implementation of health protocols in the plants resulted in the loss of an equivalent three days of production over the year, compared to the 2019 baseline.

The Group also took care to ensure strict compliance with national or local work-from-home directives, guaranteeing that every employee concerned had the resources required to perform his or her tasks remotely. In addition, the Group provided vaccination to all employees who wished to receive them, meaning that more than 35,000 vaccines were distributed in Asia, including India. Beside these Covid-related arrangements, Michelin signed multi-year agreements with the unions that offer employees in compatible jobs, and in compliance with local legislation, the opportunity of contractualizing, over time, their working from home either occasionally or on a regular basis.

Impact of the health crisis on the Group's business operations in 2021

In addition to the sales lost to the temporary restrictions on mobility during the year, the Covid-19 crisis considerably disrupted the Group's business operations in 2021.

All the supply chains were thrown into disarray, primarily due to severe constrictions in the maritime shipping. The robust upturn in global demand, combined with a shortage of cargo space (many shipowners had taken advantage of the 2020 decline in business to start upgrading their fleets) and the closure of certain ports due to Covid-19, caused extensive slowdowns across the supply chain, tightening raw material supplies and crimping the Group's ability to ship from its plants. In response, some 15 crisis cells were formed and operated around the clock to deal with supply chain issues during the year.

This situation particularly impacted the off-the-road business, which operates major production facilities in Sri Lanka, and sales of surface mining tires, which are shipped primarily from the United States.

In addition, during the first nine months of the year, the Group occasionally used alternative more costly logistics solutions to secure the supply of raw materials to Europe and the Americas, thereby avoiding any cutbacks in production.

2021 was also shaped by labor shortages that impacted the manufacturing operations of both the Group and its suppliers. In addition to Covid-related absences, labor markets were very tight over the year, especially in the United States. Hiring difficulties also exacerbated the above-mentioned disruptions in the maritime supply chains, with a shortage of truck drivers slowing the return of empty containers to ports. While government financial support may have temporarily delayed the return to work, it is also possible that, in a more structural way, these hiring difficulties arose from certain Covid-related social changes that have created a new relationship to work.

The strong rebound in global demand in 2021 also spurred a sharp run-up in raw material and energy costs, in addition to the steep increase in supply chain costs. Over the full year, the Group faced approximately €1.2 billion in additional costs, which it successfully offset with productivity gains, assertive price management and a higher value product mix.

Lastly, the combination of labor shortages, supply chain disruptions and electronic component supply outages prevented the Group from completing all its initially planned capital projects and investments during the year.

In the face of these severe disruptions, the Group never ceased operating throughout the year, attesting to the soundness and efficiency of its business continuity procedures, particularly those concerning business interruption risks in the production plants and supply continuity risks, as described in section 2 of the Universal Registration Document.

As was the case in 2020, the Group did not request any form of public support, such as government-backed loans or longer payment deadlines, in 2021.

Impact on the Group's strategic objectives

Spiraling costs and supply chain disruptions have not undermined Michelin's strategic vision nor the resources deployed to meet its objectives. Convinced of the validity of its strategic model, the Group has gained in strength during the crisis and reaffirms that its "All Sustainable" vision represents the keystone of its future performance.

As the world's population rises and increasingly lives in large urban communities, the need to transport people and goods is going to grow significantly in the decades ahead. In response, the farming, construction and mining industries will be called upon to meet the expanding needs for food, infrastructure and the metals required to decarbonize value chains. The two-wheel tire businesses will continue to benefit from the surging popularity of soft mobility and recreational activities.

Tire-related services and solutions, which were more resilient in 2020 and less exposed to supply chain disruptions than the tire business in 2021, will continue to realize their strong growth potential. These solutions help to optimize tire use and enhance Michelin's intimacy with its dealer and end-user customers, while supporting safer, more sustainable mobility.

Although it is too soon to assess the impact of the crisis on the emergence of new practices, certain underlying trends that were already driving change before the pandemic seem to be gaining new momentum. This is particularly the case for the energy transition, one of whose major vectors is the electrification of mobility. Michelin is firmly positioned as the market leader in EV tires, where its technological advance enables it to meet all the needs of this new, fast-growing market. In addition, Michelin is stepping up the development of solutions that support this transition to electric powertrains, both for corporate fleets and for automakers.

Lastly, the Group is continuing to digitalize and automate its plants. These capital expenditures, which are vitally necessary to prepare the production facilities to meet the challenges of tomorrow, could prove to be especially critical if the hiring difficulties in manufacturing turn out to be structural and long-lasting.

5.1 REPORT OF THE MANAGERS

5.1.1 TIRE MARKETS

5.1.1 a) A global market worth some $153 billion[1] in 2020

At a time of sharply slowing demand due to the Covid-19 crisis, the global tire market totaled $153 billion in 2020, representing an 8% decline from 2019. Light-vehicle tires accounted for around 60% of total sales and truck tires 30%[2]. By volume, the market represented nearly 1.4 billion car and light truck tires and a little more than 200 million truck and bus tires[2].

Around three out of four tires were sold in the Replacement market.

In 2021, demand generally returned to 2019 levels, except in the Aircraft tire market and in the Original Equipment Automotive segment, which was hard hit by semiconductor shortages in the second half of the year.

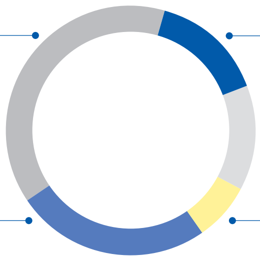
Longer term, tire demand is likely to expand by 0-2% a year in mature markets and by 2-4% a year in the new markets. In this environment, Michelin is targeting growing, high value-added market segments, such as the premium segment for its Automotive business and specialty markets.

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.

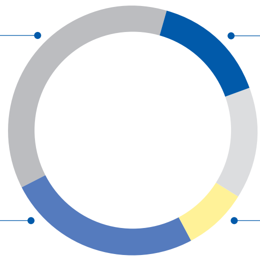
In addition, environmental legislation requiring car and truck manufacturers to reduce CO_2 emissions is helping to drive demand for low rolling resistance tires, of which Michelin is a world-leading manufacturer. For example, the VECTO model now required under European Union regulations integrates the real value of tire rolling resistance as one of the parameters for calculating truck CO_2 emissions.

THE GLOBAL TIRE MARKET BY MANUFACTURER IN 2020



Source: 2020 sales in US dollars, published in Tire Business, *August 2021.*
(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.*

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.*

5.1.1 b) Tire markets in 2021

In 2021, a sharp upturn in economic activity drove a robust first-half rebound in tire demand off of favorable prior-year comparatives, which had been impacted by the restrictions on freedom of movement in place during 2020. The second half saw more contrasting trends, with (i) the Passenger car and Light truck tire market edging back by a slight 5% as semiconductor shortages weighed on Original Equipment demand and Replacement sales held steady; and (ii) Truck tire demand rising by 5% outside China but plunging 35% in China from exceptionally high prior-year levels, which had been lifted by buying ahead of implementation of the China 6 emissions standard.

Prior-year comparatives were mixed, but Specialty tire markets generally rebounded in 2021, particularly in the Agricultural, Construction and Materials Handling Original Equipment segments.

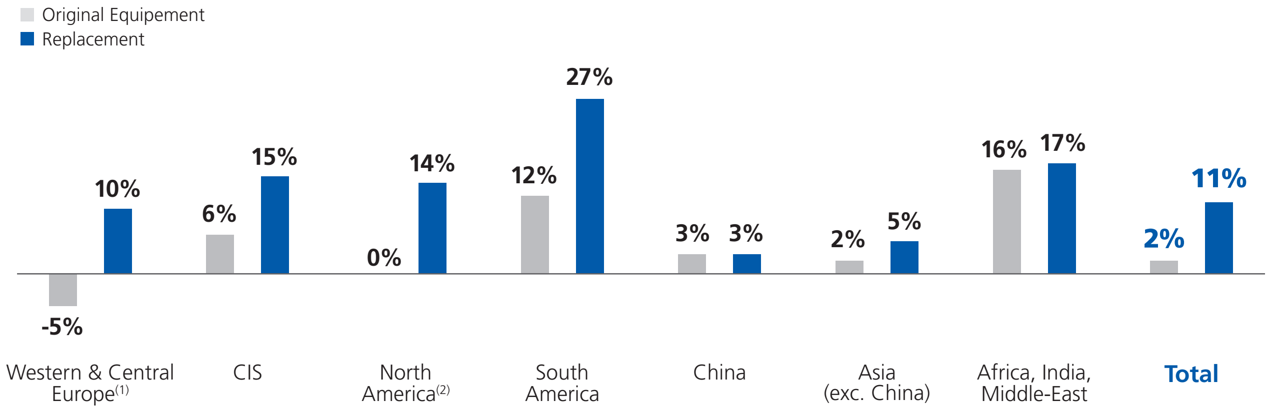
Methodological note: Tire market estimates reflect sell-in (sales of manufacturers to dealers and automakers) data published by local tiremaker associations, plus Michelin's own estimates of sales by tire manufacturers that do not belong to any association. These estimates are based primarily on import-export statistics and are expressed in the number of tires sold. They are regularly adjusted and may be updated following their initial publication.

(1) *Source:* Tire Business.
(2) *Michelin estimates.*

5.1.1 c) Passenger car and Light truck tire markets in 2021

The global Original Equipment and Replacement **Passenger car and Light truck** tire market rose by 9% in number of tires sold in 2021, but ended the year 4% lower than in 2019.

THE GLOBAL PASSENGER CAR AND LIGHT TRUCK TIRE MARKET, 2021 VS. 2020



(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

Original Equipment

After expanding a strong 28% in the first half due to low comparatives (caused by automotive plant shutdowns in first-half 2020), Original Equipment tire demand was heavily impacted in the second half by the worsening global shortage of semiconductors, which led to a 17% decline for the period. By quarter, demand fell a steep 19% in the third before recovering slightly to a 14% contraction in the fourth, following a relative easing of chip shortages in North America and China.

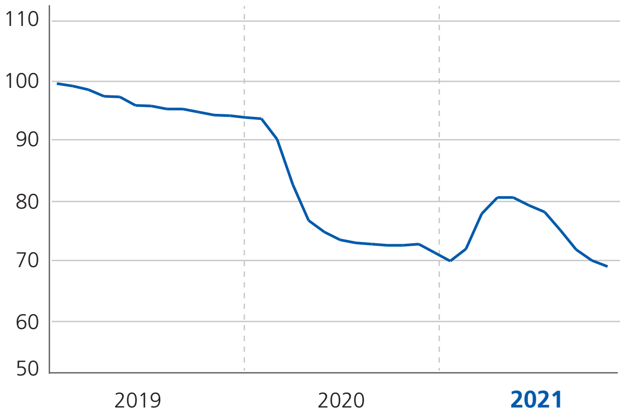
In all, the global OE tire market ended 2021 down 15% on 2019.

Passenger car and Light truck tire markets Original Equipment *(in millions of tires)*	2021	2020	2021/2020	Second-half 2021/2020	Fourth-quarter 2021/2020	Third-quarter 2021/2020	First-half 2021/2020	Second-quarter 2021/2020	First-quarter 2021/2020
Western and Central Europe[1]	67	71	-5%	-28%	-27%	-29%	+25%	+93%	-4%
CIS	7	7	+6%	-16%	-18%	-14%	+38%	+80%	+11%
North America[2]	62	63	0%	-22%	-17%	-26%	+32%	+132%	-4%
South America	12	11	+12%	-14%	-16%	-12%	+57%	+282%	+3%
China	115	112	+3%	-10%	-4%	-17%	+23%	-7%	+78%
Asia (excluding China)	65	64	+2%	-13%	-10%	-16%	+20%	+55%	-1%
Africa/India/Middle-East	28	25	+16%	-14%	-30%	+5%	+64%	+195%	+20%
TOTAL	**356**	**353**	**+2%**	**-17%**	**-14%**	**-19%**	**+28%**	**+48%**	**+14%**

(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

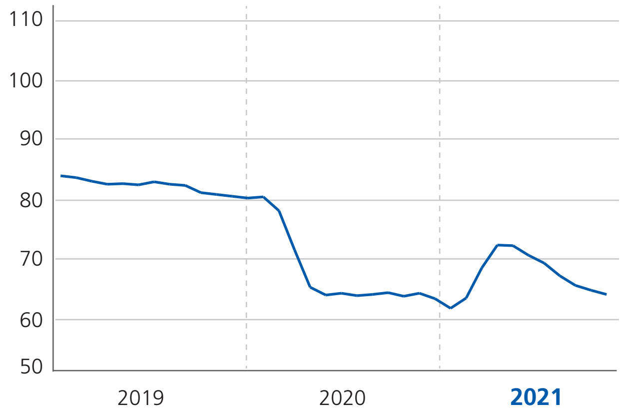
In every region, market growth was lifted by favorable comparatives in the first half and adversely impacted by global semiconductor shortages in the second. Nevertheless, by end-2021, only the **Chinese market** had returned more or less to 2019 levels, with just a 1% decline for the year. Elsewhere, markets contracted by 17% in **the rest of Asia**, 21% in **North America** and 27% in **Western Europe**.

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 surging 27% off of very favorable comparatives in the first half, global Replacement tire demand was stable year-on-year in the second six-month period and ended the year on a par with 2019.

Passenger car and Light truck tire markets Replacement *(in millions of tires)*	2021	2020	2021/2020	Second-half 2021/2020	Fourth-quarter 2021/2020	Third-quarter 2021/2020	First-half 2021/2020	Second-quarter 2021/2020	First-quarter 2021/2020
Western and Central Europe[(1)]	315	287	+10%	0%	+3%	-2%	+22%	+44%	+6%
CIS	61	53	+15%	+10%	+2%	+16%	+21%	+57%	-1%
North America[(2)]	327	288	+14%	-3%	-7%	+2%	+38%	+76%	+10%
South America	68	54	+27%	+13%	-1%	+30%	+44%	+97%	+15%
China	136	132	+3%	-7%	-4%	-9%	+15%	-2%	+38%
Asia (excluding China)	141	134	+5%	-1%	+2%	-5%	+13%	+22%	+5%
Africa/India/Middle-East	106	91	+17%	+3%	0%	+6%	+36%	+94%	+4%
TOTAL	**1,154**	**1,039**	**+11%**	**0%**	**-1%**	**+1%**	**+27%**	**+48%**	**+10%**

(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

After rebounding a sharp 22% in the first half and declining by a slight 2% in the third quarter, tire demand in **Europe (excluding the CIS)** rose by 3% in the fourth quarter to end the year up 10% on 2020. The fourth quarter saw strong market growth in France (up 8%), Germany (up 6%) and Central Europe. Demand in the United Kingdom fell 10% from the prior-year period, which had been buoyed by the massive buildup of dealer inventory ahead of Brexit on January 1, 2021.

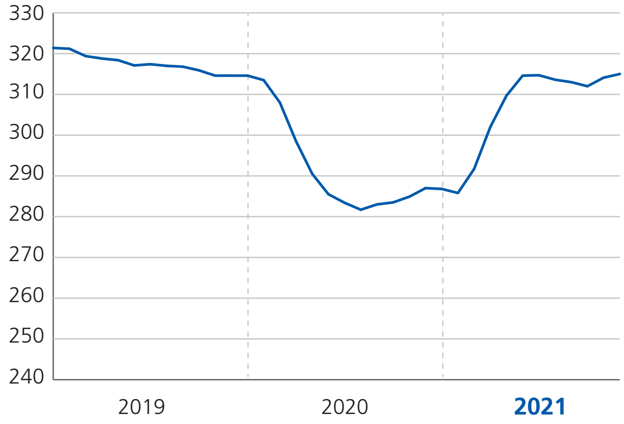
The Spanish and Italian markets slipped 2% and 3% respectively over the period. In all, the market ended the year at close to 2019 levels in most countries, except Turkey (up 19%) and Italy (down 10%).

In the **CIS**, demand surged 21% in the first half and remained on a upward trend, delivering a 10% gain in the second. By year-end, the market was up 15% on 2020 and a slight 2% ahead of 2019.

The following table shows the change in demand by major country, with growth varying in the non-euro geographies depending on export sales.

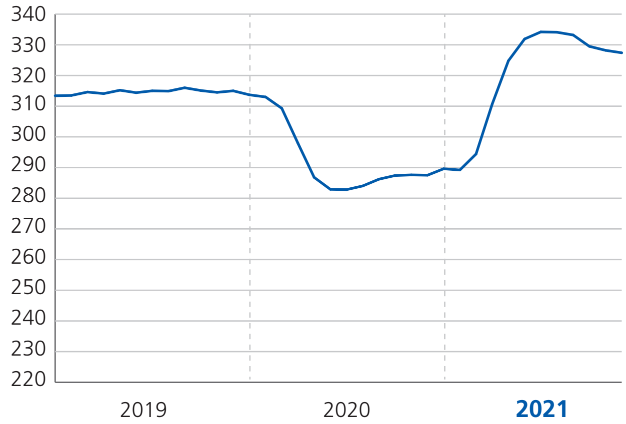
Passenger car and Light truck tires – Replacement	2021 vs. 2020
WESTERN AND CENTRAL EUROPE	**+10%**
▶ France	+15%
▶ Spain	+22%
▶ Italy	+9%
▶ United Kingdom	+5%
▶ Germany	+7%
▶ Poland	+19%
▶ Turkey	+2%
CIS	**+15%**
▶ Russia	+18%

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**, demand remained very high in the first nine months, ending the period up 23% on 2020 and 7% on 2019, supported by favorable comparatives and dealer inventory rebuilding. It turned down in the final three months, losing 7% in comparison with the prior-year period, when dealer inventories rose on speculative buying ahead of possible new US duties on tires imported from South Korea, Thailand, Vietnam and Taiwan. In all, the market ended the year up 14% on 2020 and 4% ahead of 2019.

Demand in **South America** climbed 39% over the first nine months from favorable comparatives, particularly in the third quarter when it had still been heavily impacted by Covid-19 in 2020. The market then flattened out over the final three months to end the year up 27% on 2020 and a slight 2% ahead of 2019.

After rebounding 15% in the first half thanks to very favorable first-quarter comparatives, demand in **China** moved back in line with 2019 in the second six months of the year. However, it declined 7% compared with second-half 2020, which had seen a particularly robust 8% rebound as the country emerged from lockdown. In all, the market expanded by 3% over the full year, but remained a slight 2% below its 2019 level.

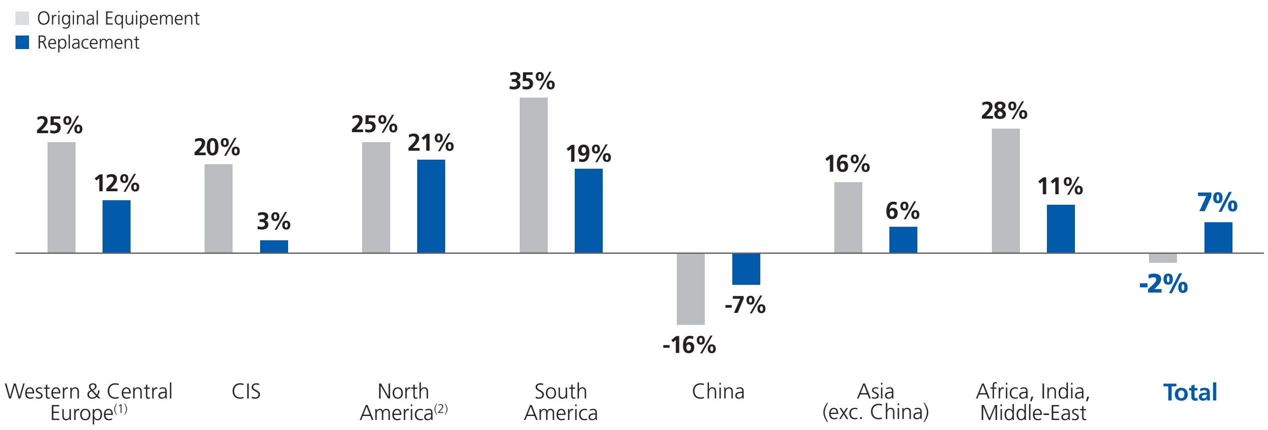
In **Asia (excluding China and India)**, demand rebounded by 13% in the first half but was hard hit by Covid-19 in the third quarter, with declines of 5% overall and of 42% in Thailand, 38% in Vietnam and 14% in Indonesia. It recovered somewhat in the final three months, gaining 2% to end the year up 5% on 2020, but still a steep 6% behind 2019.

Markets in **Africa, India and the Middle-East** rebounded sharply off of very favorable prior-year comparatives in the first half, with growth of 36% overall and of 64% in India. They rose a further 6% in the third quarter before leveling out in the fourth, leading to a 17% increase for the year, but a 3% decline compared to 2019.

5.1.1 d) Truck tire markets in 2021

The number of new **Truck** tires sold worldwide increased by 4% in 2021. Demand rose in every region except China, where it fell 11% from prior-year levels, which had been lifted exceptionally high by buying ahead of the implementation of the China 6 emissions standard.

THE GLOBAL TRUCK TIRE MARKET, 2021 VS. 2020



(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, contracted by 2% year-on-year in 2021, moving back in line with 2019 levels (up 1%). These overall figures mask a marked contrast between China and the other regions.

Truck tire markets Original Equipment *(in millions of tires)*	2021	2020	2021/2020	Second-half 2021/2020	Fourth-quarter 2021/2020	Third-quarter 2021/2020	First-half 2021/2020	Second-quarter 2021/2020	First-quarter 2021/2020
Western and Central Europe[1]	5.8	4.7	+25%	+5%	+4%	+6%	+50%	+98%	+21%
CIS	1.1	0.9	+20%	+13%	+14%	+11%	+30%	+43%	+16%
North America[2]	6.1	4.9	+25%	+7%	+6%	+9%	+47%	+119%	+10%
South America	2.2	1.6	+35%	+20%	+8%	+33%	+56%	+120%	+19%
China	28.3	33.9	-16%	-49%	-49%	-48%	+21%	-15%	+88%
Asia (excluding China)	4.0	3.4	+16%	+16%	+11%	+21%	+16%	+51%	-5%
Africa/India/Middle-East	3.0	2.3	+28%	+14%	-12%	+56%	+45%	+79%	+30%
TOTAL	**50.5**	**51.7**	**-2%**	**-28%**	**-30%**	**-26%**	**+27%**	**+8%**	**+52%**

(1) Including Russia and Turkey.
(2) United States and Canada.
Michelin estimates.

In **Europe (excluding the CIS)** and the **Americas**, the robust economic recovery and driver shortages prompted trucking companies to massively upgrade their fleets. This drove strong growth in demand in these regions over the year, with gains of 25% in North America and Europe and of 35% in South America.

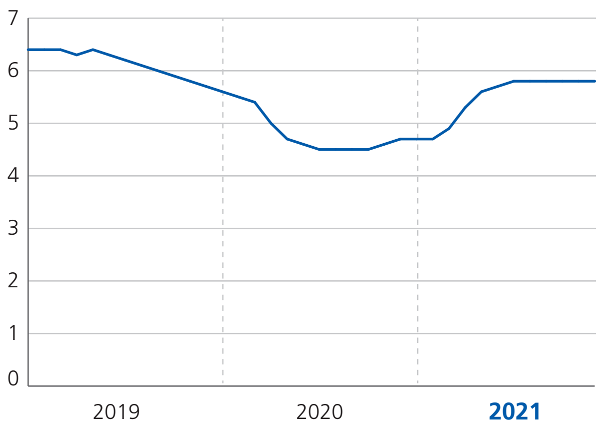
By year-end, markets had exceeded their 2019 levels by 2% in Europe, but fell a considerable 10% short in North America, where 2019 had been an exceptionally strong year.

After rebounding a vigorous 88% from favorable comparatives in the first quarter, demand in **China** was dampened over the rest of the year by the highly unfavorable comparison with the 2020 period, which saw massive buying ahead of implementation of the China 6 emissions standard.

As a result, the market ended the year down 16%, but remained 11% higher than in 2019.

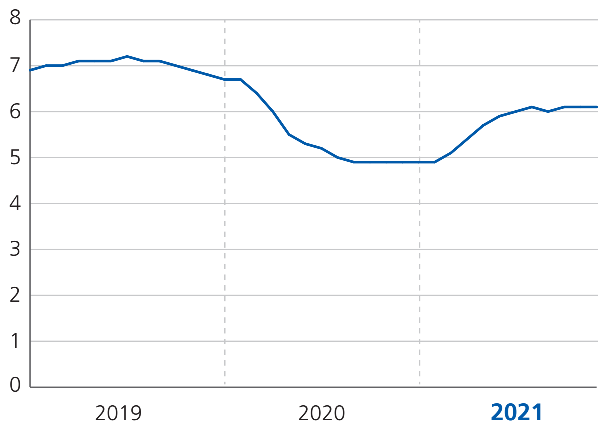
Markets in **the rest of the world** expanded during the year, with gains of 16% in Asia excluding China and of 28% in the Africa/India/Middle-East region, but still fell short of their 2019 levels, by 16% in Asia excluding China and by 34% in the Africa/India/Middle-East region.

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

After rebounding a firm 25% from favorable comparatives in the first half, demand for Replacement tires retreated by 6% in the second six months, feeding through to a 7% increase in the market for the year, but a 3% decline compared to 2019. These overall figures mask a marked contrast between China and the other regions.

Truck tire markets Replacement *(in millions of tires)*	**2021**	**2020**	**2021/2020**	**Second-half 2021/2020**	**Fourth-quarter 2021/2020**	**Third-quarter 2021/2020**	**First-half 2021/2020**	**Second-quarter 2021/2020**	**First-quarter 2021/2020**
Western and Central Europe(1)	17.2	15.4	+12%	0%	0%	+1%	+28%	+40%	+18%
CIS	8.6	8.3	+3%	+3%	+12%	-5%	+4%	+13%	-5%
North America(2)	31.6	26.2	+21%	+9%	+4%	+15%	+35%	+56%	+18%
South America	14.0	11.8	+19%	+7%	0%	+15%	+33%	+51%	+19%
China	43.4	46.8	-7%	-26%	-28%	-24%	+28%	+4%	+59%
Asia (excluding China)	22.8	21.6	+6%	+3%	+2%	+4%	+9%	+19%	+1%
Africa/India/Middle-East	28.5	25.6	+11%	+1%	+7%	-4%	+23%	+41%	+9%
TOTAL	**166.1**	**155.7**	**+7%**	**-6%**	**-7%**	**-5%**	**+25%**	**+28%**	**+21%**

(1) Including Turkey.
(2) Including Central America.
Michelin estimates.

After rebounding a solid 28% in the first half, demand in **Western and Central Europe** leveled off in the second six months, with gains of 12% in Germany and of 19% in the Nordic countries offset by flat growth in France and Spain and a 7% decline in Central Europe.

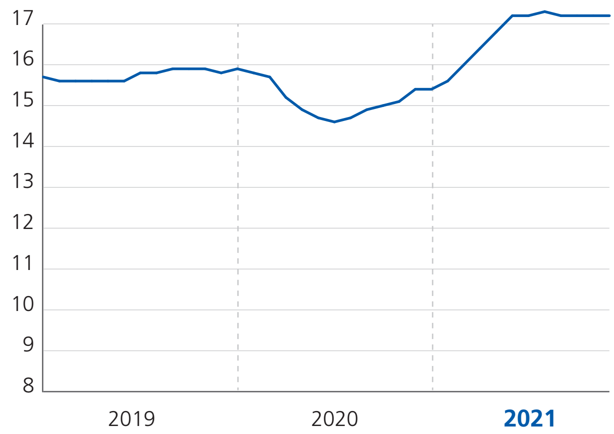
Over the full year, the market rose by 12% on 2020 and by 9% compared with 2019 (including an 18% improvement in Turkey).

Demand in **North and Central America** remained very robust, rising 9% in the second half after rebounding by 35% in the first six months.

Buoyed by the strong economic recovery, it ended the year up 21% on 2020 and 18% on 2019.

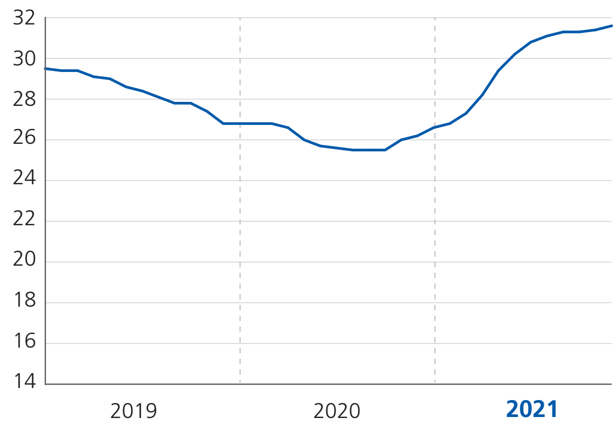
Markets in **South America** tracked North American trends, with a 33% rebound in the first half and a sustained 7% increase in the second. Supported by the strong economic recovery, demand ended the year up 19% on 2020 and 10% on 2019.

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.

Following a 28% increase in the first half, Replacement tire demand in **China** declined by 26% in the second six months, impacted by slowing economic growth and extensive truck fleet upgrades in 2020 ahead of implementation of the China 6 emissions standard.

Over the full year, the Replacement market ended down 7% on 2020 and 19% compared with 2019.

In the **Asia (excluding China)** and **Africa/India/Middle-East** regions, demand rose by 6% and 11% respectively year-on-year, but still lagged behind 2019 by 7% and 6% respectively.

5.1.1 e) Specialty tire markets in 2021

Mining tires: despite the pervasive disruption in global supply chains, demand for surface mining tires rose over the year, with a brisk acceleration in the second half.

Agricultural and Construction tires: farm machinery tire markets climbed sharply year-on-year, with a very strong cyclical upturn in Original Equipment sales.

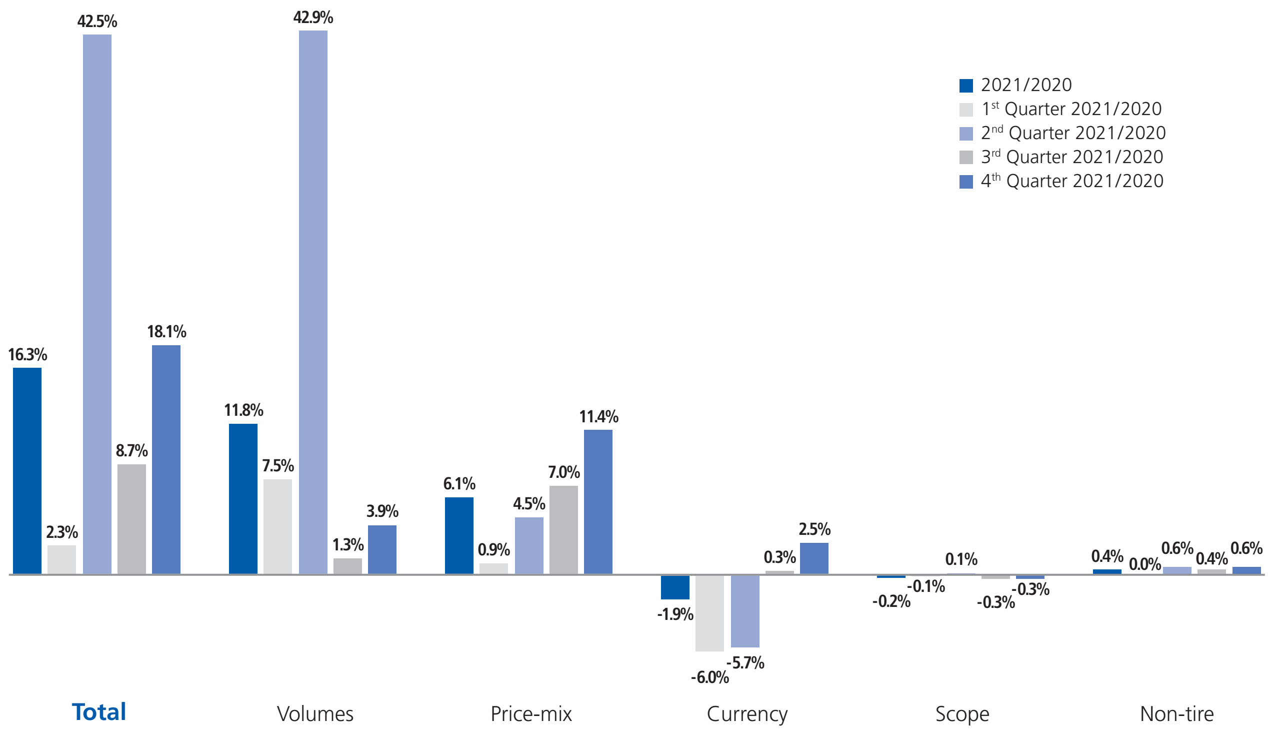
An expanding construction industry helped the Construction and Infrastructure tire markets to maintain their robust recovery, which was more pronounced in the OE segment.

Two-wheel tires: despite a mid-year period dampened by Covid-19 in Asian markets, two-wheel tire demand remained strong across every geography and segment.

Aircraft tires: in a still highly unstable environment, aircraft tire markets rebounded in line with the uptick in air traffic, Covid-19 vaccinations and border reopenings. Demand in the Military and General Aviation segments continued to hold up well over the period, but nevertheless remained significantly below its pre-crisis levels.

Conveyor belts: the industrial and mining conveyor belt markets turned in a mixed performance. Demand in Australia turned slightly upwards after suffering from the restrictions on China-bound coal exports, while the Services and Engineering segments were adversely impacted by Covid-19. In North America, the market rebounded at year-end in both the mining and the industrial segments.

5.1.2 SALES



Sales stood at €23,795 million for the year, up 16.3% from €20,469 million in 2020 and down a slight 1.4% on 2019. The year-on-year change reflected the combined impact of the following factors:

- the strong +11.8% rebound in tire volumes on the back of a particularly vigorous upturn in global demand in the first half, with highly favorable comparatives reflecting the drastic restrictions on freedom of movement in place during first-half 2020. Volumes remained higher year-on-year in the second half, but were dampened by less favorable comparatives and the persistently unstable business environment (health crisis, major disruptions in global supply chains, labor shortages, slowdown in automaker production);
- the 6.1% positive price-mix effect. The €921 million gain from prices reflected the disciplined, assertive pricing policy implemented to offset (i) rising raw materials, transportation, energy and other costs of sales and (ii) the decline in certain currencies against the euro. The €330 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 greater percentage of Replacement business in the sales mix as Original Equipment sales felt the impact of semiconductor shortages in the automotive industry;
- the 1.9% negative currency effect, led by the decline in the US dollar against the euro in the second half;
- a 0.2% unfavorable decline from changes in the scope of consolidation, mainly due to the removal of Solesis following the sale of an equity stake to Altaris in May 2021.

Sales from non-tire activities, which were more resilient during the Covid-19 crisis and less exposed to supply chain disruptions, climbed 7.7% during the year.

(in € millions and %)	2021	Second-half 2021	Fourth-quarter 2021	Third-quarter 2021	First-half 2021	Second-quarter 2021	First-quarter 2021
SALES	**23,795**	**12,603**	**6,591**	**6,012**	**11,192**	**5,744**	**5,448**
Change, year-on-year	**+3,326**	**+1,491**	**+1,010**	**+481**	**+1,835**	**+1,714**	**+121**
Volumes	+2,421	+291	+218	+72	+2,130	+1,728	+402
Price-mix	+1,251	+1,022	+635	+387	+229	+184	+45
Currency effect	-393	+155	+139	+17	-548	-227	-321
Scope of consolidation	-36	-35	-18	-17	-1	+4	-5
Non-tire sales	+83	+58	+36	+22	+25	+25	0
Change, year-on-year	**+16.3%**	**+13.4%**	**+18.1%**	**+8.7%**	**+19.6%**	**+42.5%**	**+2.3%**
Volumes	+11.8%	+2.6%	+3.9%	+1.3%	+22.8%	+42.9%	+7.5%
Price-mix	+6.1%	+9.2%	+11.4%	+7.0%	+2.4%	+4.5%	+0.9%
Currency effect	-1.9%	+1.4%	+2.5%	+0.3%	-5.9%	-5.7%	-6.0%
Scope of consolidation	-0.2%	-0.3%	-0.3%	-0.3%	0.0%	+0.1%	-0.1%
Non-tire sales	+0.4%	+0.5%	+0.6%	+0.4%	+0.3%	+0.6%	0.0%

5.1.2 a) 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 High-Technology Materials activities (conveyor belts...). 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)	2021	Second-half 2021	Fourth-quarter 2021	Third-quarter 2021	First-half 2021	Second-quarter 2021	First-quarter 2021
GROUP	**23,795**	**12,603**	**6,591**	**6,012**	**11,192**	**5,744**	**5,448**
Automotive and related distribution	11,998	6,436	3,395	3,041	5,562	2,868	2,694
Road transportation and related distribution	6,233	3,336	1,730	1,606	2,897	1,509	1,388
Specialty businesses and related distribution	5,564	2,831	1,466	1,365	2,733	1,367	1,366
% change, year-on-year	**+16.3%**	**+13.4%**	**+18.1%**	**+8.7%**	**+19.6%**	**+42.5%**	**+2.3%**
Automotive and related distribution	+18.8%	+12.7%	+18.4%	+7.0%	+26.6%	+59.6%	+3.7%
Road transportation and related distribution	+16.0%	+12.6%	+15.1%	+10.1%	+20.2%	+43.6%	+2.1%
Specialty businesses and related distribution	+11.4%	+16.0%	+21.1%	+11.0%	+7.1%	+15.7%	-0.3%

5.1.2 b) Automotive and related distribution – Analysis of sales

Volumes in the Automotive and related distribution reporting segment increased by 12.3% over the year. After surging 28.0% in the first half, lifted by strongly rebounding demand and very favorable comparatives, they leveled off in the second six months, with just a 0.2% gain due to less favorable comparatives and the steep slowdown in the Original Equipment business caused by semiconductor shortages.

In this mixed environment, the Group focused on the highest value market segments, by continuing to broaden its product portfolio and strengthen its positions in the premium 18-inch and larger segment.

In addition, the successful deployment of an assertive, dynamic pricing policy demonstrated the Group's ability to leverage its technological leadership and brand recognition to drive higher sales at a time of rising costs.

In all, segment sales ended the year a slight 1.2% ahead of 2019, in markets down 4% overall over the same period.

In the **Original Equipment** segment, the Group maintained its positions in a market that was severely disrupted by the decline in automaker demand as semi-conductor shortages curtailed output, particularly in the second half. On the other hand, the Original Equipment business benefited from a favorable size mix, as automakers focused on their premium models. Sales also continued to be buoyed by the growth in the electric vehicle segment, which was especially strong in 2021, spurred by the auto industry support plans deployed in a large number of countries.

In all, Original Equipment sales edged up slightly year-on-year in 2021 but remained significantly below their 2019 levels.

On the **Replacement** side, the Group widened its market share in the buoyant 18-inch and larger tire segment and was able to raise prices assertively throughout the year in every geography. The fall launch of the MICHELIN Cross Climate 2, available in 40% more size configurations than its predecessor, confirmed the Group's leadership in the all-season segment.

The Group also stepped up deployment of its distribution strategy by broadening its presence in online retailing channels, as seen in the purchase of all outstanding shares of Allopneus in France, and by continuing to expand its franchise network.

In **Europe**, new share was gained in markets shaped by fast-growing sell-out demand and still lower-than-normal local dealer inventories. Consolidated sales were lifted by a positive geographic mix stemming from the strong exposure to Southern European countries, which had been more impacted by the slowdown in demand in 2020. 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 applying its assertive pricing policy. In addition, the Group continued to expand its solid positions in the all-season segment with its MICHELIN Cross Climate family, whose sales were lifted by national regulations requiring motorists to use winter tires in mountainous regions. The KLEBER branded Tier 2 tires maintained their robust growth momentum and continued to enhance the size mix.

In **North and Central America**, with demand very high and production capacities restrained, in particular by labor shortages, initiatives to prioritize the most profitable segments and manage prices helped to drive sustained growth in sales. Restructuring the TBC dealership network acquired in 2018 has provided the Group with particularly optimized, efficient market access and geographic coverage.

In **South America**, whose highly import-driven markets returned to 2019 levels during the year, the Group maintained its market share and continued to enhance its mix. However, sales were negatively impacted by import quotas in Argentina, which prevented the Group from meeting strong local demand.

In **Asia (excluding India)**, the Group strengthened its positions as travel rebounded, despite lingering local disruptions from the strict lockdowns ordered in response to Covid variants.

In a Southeast Asian market up on 2020 but still lagging behind 2019, consolidated sales were supported by price increases and Group market share gains in the 18-inch and larger segments.

In China, where the resurgence of the pandemic in second-half 2021 caused the market to slow versus 2020 (when it did not decline as much), the Group increased its share in the premium tire market and maintained its share in the other segments, in a slightly more competitive pricing environment.

The Group further strengthened its positions in 18-inch and larger tires across the **Africa/India/Middle-East** region, despite the difficulties caused by import restrictions in India, and captured the particularly strong growth in the African and Middle-Eastern countries.

Sales in the **Michelin Experiences** business, which primarily operates in the fine dining, hospitality and travel segments, were still adversely impacted by restrictions on international travel and capacity limits on social events. As sales rose in 2021 compared with the previous year, the Group stepped up deployment of its projects designed to digitalize the services portfolio. In addition, the licensed products distribution business continued to expand at a steady pace. Michelin Experiences remains an unrivaled vehicle for promoting the MICHELIN brand and its premium positioning.

In all, sales in the Automotive and related distribution reporting segment rose by 18.8% to €11,998 million, from €10,103 million in 2020. As volumes grew by a robust 12.3%, the price-mix effect was very positive over the year, led by the price increases diligently applied in every geography, market share gains in the 18-inch and larger segment and the slowdown in Original Equipment Automotive business in the second half.

5.1.2 c) Road transportation and related distribution – Analysis of sales

Volumes in the Road transportation and related distribution reporting segment rose by 12.9% in 2021, impelled by the sharp upturn in economic activity and surging freight demand. They climbed 23.9% in the first half, from very favorable comparatives, then slowed to a 4% gain in the second six months, reflecting a less favorable basis of comparison. In this highly buoyant environment, the Group significantly raised its prices to offset rising raw materials, transportation, energy and other costs of sales and pursued its selective marketing strategy in value-creating segments, with a sharper focus on the MICHELIN brand.

In the **Original Equipment** segment, OEM output trended upwards over the year and the Group consolidated its positions. Environmental standards aimed at reducing carbon emissions and OEM demand for new solutions, for example built around battery or hydrogen fuel cell electric powertrains, are all opportunities for the Group to forge partnerships with OEMs and thereby demonstrate its technological leadership and knowledge of usage practices.

In the **Replacement** segment, demand for new tires was very robust throughout the year, driven by the global economic recovery and huge overland freight needs. In this very promising environment, the Group focused on its value-added offerings, led by the MICHELIN brand and retreading solutions. The Services & Solutions business, which had been highly resilient in 2020, maintained a steady pace of expansion during the year, particularly geographically. While the passenger transportation market still suffered from travel restrictions, the robust growth of online shopping – a new consumer trend that looks set to stay – supported demand in most geographies in the last-mile delivery segment, where the MICHELIN Agilis 3 tire, launched in 2020, was a best seller.

In the very buoyant **European** market, where dealer inventories have returned to normal, the Group strengthened its positions in MICHELIN brand segments and retreading in its leading host countries, diligently applying price increases in response to sharply rising costs, particularly in Central Europe. Unveiled in November 2021, the Michelin Connected Fleet umbrella brand now consolidates all the fleet Services & Solutions under a single identity, enhancing the synergies among Sascar, Masternaut and Michelin's long-standing tire-related products and services. The new solution will be gradually deployed around the world.

In **North America**, where the market was very robust and overland freight demand rose by 50% year-on-year, the Group's positions were hurt by operating restrictions stemming primarily from the serious labor shortages impacting the manufacturing industry. The Group focused on the MICHELIN brand and diligently offset every cost inflation factor with price increases in every segment.

Sales of fleet services continued to expand.

The **South American** market significantly exceeded its 2019 levels during the year, with a slight loss of value in the mix. In this environment, the Group strengthened its positions by focusing on MICHELIN brand sales.

Consolidated sales, however, were dampened by import restrictions in Argentina.

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)**, the Group continued to target market segments that value MICHELIN solutions for their technological content. In these more competitive markets, the Group diligently applied a dynamic pricing policy.

The Group consolidated its positions in the **Africa/India/Middle-East** region. The fast-growing Indian market is continuing to shift to radial tires, where the Group can capitalize on its technological advantage. The Group increased its share in the African and Middle-Eastern markets, where the rebound in demand has been more sluggish due to the slowdown in capital spending in the oil and gas industry.

In all, sales in the Road transportation and related distribution reporting segment amounted to €6,233 million, a 16.0% year-on-year increase that was led by sustained volume growth, an assertive pricing policy and a more prominent positioning in value-creating segments.

5.1.2 d) Specialty businesses and related distribution – Analysis of sales

Surface mining tires: in an upwardly trending ore market, impelled by growing demand for metals, in particular to support the energy transition, Group sales were hard hit by labor shortages, especially in the United States, and by disruptions in downstream logistics that significantly slowed finished product shipments particularly to Australia, South America and other geographies. Application of the raw materials indexation clauses included in a large percentage of mining customer contracts fed through to price increases in the second semester, but with a time lag that did not allow to offset all inflation factors over the year.

Agricultural and Construction tires: the Group is capturing the strong market momentum in both segments, particularly in the Original Equipment market.

It is gaining market share in the Construction tire segment, which closely tracks the infrastructure projects that have seen particularly brisk growth after a slowdown in 2020. The residential construction segment is also experiencing very strong growth, particularly in the United States and Europe.

Group sales rose sharply in the Agricultural tire market, which is very buoyant, especially in the Original Equipment segment. However, restricted production capacity and shipping difficulties caused by the lack of maritime cargo space prevented the Group from meeting all the demand.

Two-wheel tires: after ending 2020 only slightly lower than in 2019, two-wheel tire sales were very strong throughout 2021. Despite closing its Brazilian plant in Manaus for several days early in the year due to Covid, the Group was able to meet demand and slightly increase its market share. The price increases offset both higher raw materials costs and the impact of currency movements.

Aircraft tires: despite a clear rebound from 2020, aircraft tire sales were still very hard hit in 2021 by the persistent health crisis and locally imposed travel restrictions.

Demand in the Military and General Aviation segments continued to hold up well over the year.

Fenner's **conveyor belt** business was adversely affected by the decline in mining output in Australia, stemming primarily from Chinese restrictions on Australian coal imports.

In all, sales by the Specialty businesses reporting segment increased by 11.4% year-on-year to €5,564 million, but fell short of 2019 levels, mainly due to supply chain constrictions, labor shortages and the Commercial Aviation business, which may take several years to return to pre-crisis levels.

5.1.2 e) Changes in exchange rates for the main operating currencies

At current exchange rates, consolidated sales rose by 16.3% in 2021.

The increase includes a 1.9% (€391 million) unfavorable currency effect, stemming from a decline in the US dollar against the euro and weakness in the Brazilian real and Turkish lira.

Average exchange rate	2021	2020	Change
Euro/USD	1.184	1.141	+3.7%
Euro/CNY	7.636	7.873	-3.0%
Euro/AUD	1.575	1.653	-4.7%
Euro/GBP	0.860	0.889	-3.2%
Euro/BRL	6.370	5.815	+9.5%
Euro/CAD	1.483	1.529	-3.0%
Euro/RUB	87.193	81.985	+6.4%
Euro/JPY	129.829	121.814	+6.6%
Euro/MXN	23.993	24.373	-1.6%
Euro/THB	37.791	35.697	+5.9%
Euro/CLP	894.671	902.095	-0.8%
Euro/TRY	10.187	7.930	+28.5%
Euro/SEK	10.145	10.480	-3.2%
Euro/TWD	33.069	33.607	-1.6%
Euro/ZAR	17.462	18.661	-6.4%
Euro/ARS	112.099	79.562	+40.9%
Euro/COP	4,416.600	4,195.400	+5.3%

Sales break down as follows by currency:

Currency	%	Currency	%
USD	36%	TRY	0.9%
EUR	32%	THB	0.9%
CNY	6%	CLP	0.8%
AUD	3%	SEK	0.7%
GBP	3%	TWD	0.6%
BRL	3%	ZAR	0.5%
CAD	3%	ARS	0.3%
RUB	2%	COP	0.2%
JPY	1%	Other	4.5%
MXN	1%		
TOTAL			**100%**

5.1.2 f) Sales by region

(in € millions)	2021	2021/2020	Second-half 2021	First-half 2021
GROUP	**23,795**	**+16.3%**	**12,603**	**11,192**
Europe	9,014	+18.0%	4,766	4,248
of which France	*2,066*	*+17.2%*	*1,086*	*980*
North America (incl. Mexico)	8,389	+18.1%	4,576	3,813
Other regions	6,392	+11.6%	3,261	3,131

(in € millions)	2021	% of total	2020	% of total
GROUP	**23,795**		**20,469**	
Europe	9,014	37.9%	7,640	37.3%
of which France	*2,066*	*8.7%*	*1,762*	*8.6%*
North America (incl. Mexico)	8,389	35.3%	7,102	34.7%
Other regions	6,392	26.9%	5,727	28.0%

Consolidated sales rose year-on-year in every region, with more pronounced gains in Europe and North America, which had been hit the hardest by the fall-off in demand in 2020.

More than 60% of consolidated sales were generated outside Europe and more than 90% outside France.

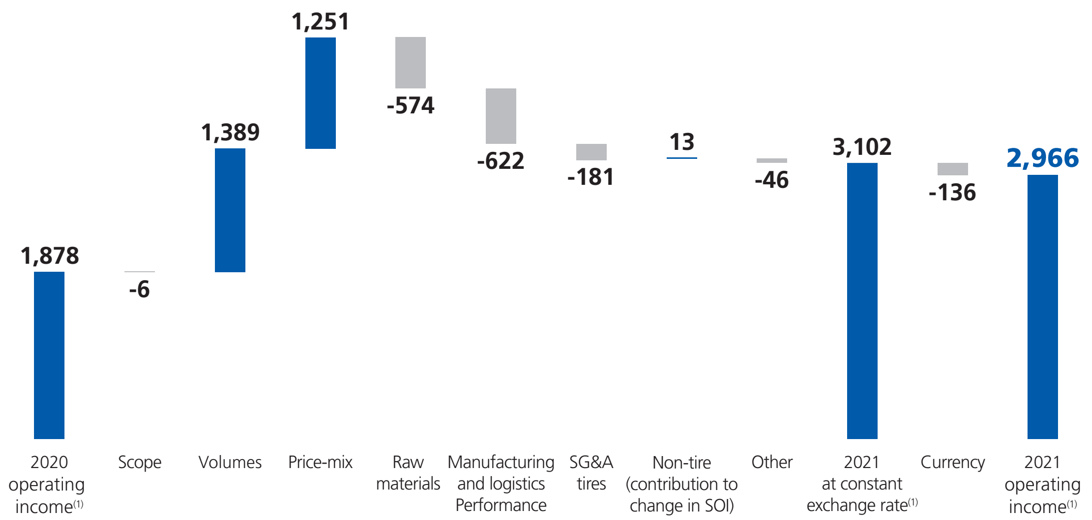
5.1.3 CONSOLIDATED INCOME STATEMENT REVIEW

(in € millions, except per share data)	2021	2020[1]	2021/2020	2021 (as a % of sales)	2020 (as a % of sales)
Sales	23,795	20,469	+16.3%		
Cost of sales	(16,810)	(14,754)	+13.9%	70.6%	72.1%
Gross income	**6,985**	**5,715**	**+22.2%**	**29.4%**	**27.9%**
Sales and marketing expenses[1]	(1,133)	(1,070)	+5.9%	4.8%	5.2%
Research and development expenses	(682)	(646)	+5.6%	2.9%	3.2%
General and administrative expenses[1]	(2,137)	(1,994)	+7.2%	9.0%	9.7%
Segment other income and expenses	(67)	(127)	-47.2%	0.3%	0.6%
Segment operating income	**2,966**	**1,878**	**+57.9%**	**12.5%**	**9.2%**
Other operating income and expenses	(189)	(475)	-60.2%	0.8%	2.3%
Operating income	**2,777**	**1,403**	**+97.9%**	**11.7%**	**6.9%**
Cost of net debt	(192)	(242)	-20.7%	0.8%	1.2%
Other financial income and expenses	(4)	(14)	-71.4%	0.0%	0.1%
Net interest on employee benefit obligations	(41)	(56)	-26.8%	0.2%	0.3%
Share of profit/(loss) from equity-accounted companies	(69)	(112)	-38.4%	0.3%	0.5%
Income before taxes	**2,471**	**979**	**+152.4%**	**10.4%**	**4.8%**
Income tax	(626)	(354)	+76.8%	2.6%	1.7%
Net income	**1,845**	**625**	**+195.2%**	**7.8%**	**3.1%**
▸ Attributable to the shareholders of the Company	1,844	632	+191.8%	7.7%	3.1%
▸ Attributable to the non-controlling interests	1	(7)	-114.3%		
EARNINGS PER SHARE *(in €)*					
▸ Basic	10.31	3.52	+192.7%		
▸ Diluted	10.24	3.51	+192.1%		

(1) The first-half 2020 figures have been restated for comparison purposes (see note 2.8 to the consolidated financial statements).

5.1.3 a) Analysis of segment operating income

(in € millions)



(1) Segment operating income.

Segment operating income amounted to €2,966 million or 12.5% of sales for the year ended December 31, 2021, compared with €1,878 million and 9.2% the year before, primarily as a result of the strong growth in volumes as the global economy recovered.

The €1,088 million year-on-year increase reflected the combined impact of the following factors:

- a slight €6 million decrease from changes in the scope of consolidation, primarily relating to the removal of Solesis and Michelin Experiences' printing business;
- a €1,389 million increase from the strong growth in volumes sold and the resulting improvement in fixed cost absorption;
- a robust €1,251 million increase from the favorable price-mix effect, reflecting highly assertive pricing management at a time of steeply rising raw material prices, freight charges and energy costs as from the second half. 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, the relative slowdown in automotive OE sales over the second half and the priority focus on the MICHELIN brand in Truck tires;
- a €574 million decrease from the sharp rise in both the cost of raw materials used in production over the year and their cost of transportation, due to the shortage of maritime shipping capacity, particularly in the first half;
- a €622 million decrease from the rise in production and supply chain costs, with both production and finished product shipping costs strongly impacted by the increase in energy, transportation and spare part costs;
- a €181 million decrease from the year-on-year growth in SG&A expenses (including research and development outlays) in the Tire operations, reflecting the impact of the upturn in business (particularly on travel expenses). Note that SG&A expenses still ended the year lower than in 2019;
- a €46 million unfavorable impact made of others elements, including a €70 million decline in Covid-19 costs;
- a €136 million decrease from the unfavorable currency effect, stemming primarily from the decline in the US dollar in the first half and in the Turkish lira, Russian ruble, Argentine peso and other emerging currencies over the full year.

In all, segment operating income at constant exchange rates totaled €3,102 million in 2021, in line with the guidance issued on October 25, 2021 targeting more than €2,800 million in segment operating income at constant exchange rates for the year.

Other operating income and expenses unallocated to the operating segments improved by €286 million year-on-year, to a net expense of €189 million from a net expense of €475 million in 2020. Other operating income and expenses are described in more detail in section 3.3.3.9 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:

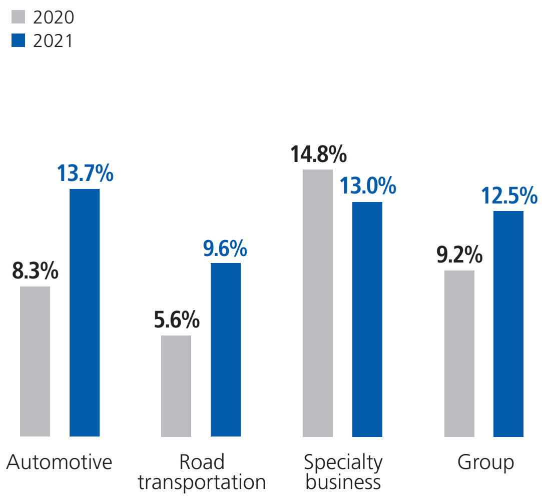
- automotive and related distribution;
- road transportation and related distribution;
- specialty businesses and related distribution.

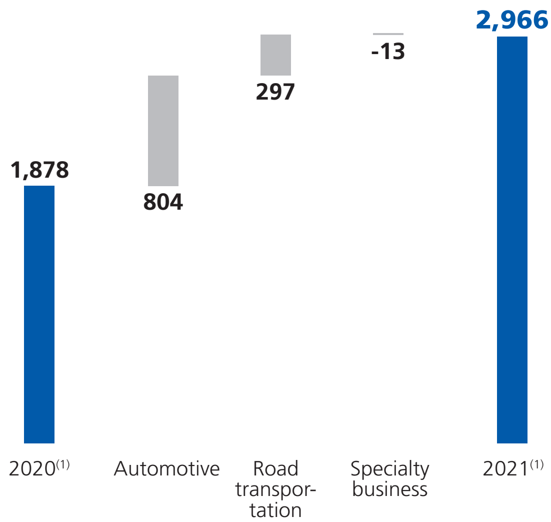
The Specialty businesses include the Mining, Off-the-road, Two-wheel and Aircraft tire activities, as well as the Conveyor Belt and High-Technology Materials activities. The Services & Solutions businesses are included for the most part in the "Road transportation and related distribution" segment.

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)	**2021**	**2020**	**Second-half 2021**	**First-half 2021**
AUTOMOTIVE AND RELATED DISTRIBUTION				
Sales	11,998	10,103	6,436	5,562
Segment operating income	1,643	839	913	730
Segment operating margin	**13.7%**	**8.3%**	**14.2%**	**13.1%**
ROAD TRANSPORTATION AND RELATED DISTRIBUTION				
Sales	6,233	5,373	3,336	2,897
Segment operating income	599	302	313	286
Segment operating margin	**9.6%**	**5.6%**	**9.4%**	**9.9%**
SPECIALTY BUSINESSES & RELATED DISTRIBUTION				
Sales	5,564	4,993	2,831	2,733
Segment operating income	724	737	319	405
Segment operating margin	**13.0%**	**14.8%**	**11.3%**	**14.8%**
GROUP				
Sales	23,795	20,469	12,603	11,192
Segment operating income	2,966	1,878	1,545	1,421
Segment operating margin	**12.5%**	**9.2%**	**12.3%**	**12.7%**

Segment operating margin





(1) Segment operating income.

Automotive and related distribution – Analysis of segment operating income

Automotive and related distribution *(in € millions)*	**2021**	**2020**	**2021/2020**	**2021** *(% of consolidated total)*	**2020** *(% of consolidated total)*
Sales	11,998	10,103	+18.8%	50%	49%
Change in volumes	12.3%				
Segment operating income	1,643	839	+95.8%	55%	45%
Segment operating margin	13.7%	8.3%	+5.4 pts		

Automotive segment operating income came to €1,643 million or 13.7% of sales, versus €839 million and 8.3% in 2020. The significant improvement was led by the robust 12.3% growth in volumes in a market up 9% and by a highly assertive pricing policy applied in every geography, which helped to offset the increase in raw material, supply chain and energy costs. Segment operating income was also lifted by market share gains, notably in the higher margin 18-inch and larger tire segments, as well as by the favorable mix stemming from the slowdown in the Automotive Original Equipment business, which was adversely impacted by the semiconductor shortage.

Exchange rate movements had a negative impact on the segment's operating income.

Road transportation and related distribution – Analysis of segment operating income

Road transportation and related distribution *(in € millions)*	**2021**	**2020**	**2021/2020**	**2021** *(% of consolidated total)*	**2020** *(% of consolidated total)*
Sales	6,233	5,373	+16.0%	26%	26%
Change in volumes	12.9%				
Segment operating income	599	302	+98.3%	20%	16%
Segment operating margin	9.6%	5.6%	+4.0 pts		

Road transportation segment operating income amounted to €599 million or 9.6% of sales, compared with €302 million and 5.6% the year before.

The upturn in global demand drove a robust 12.9% rebound in sales volumes, while the selective marketing strategy focused on the MICHELIN brand and value-creating markets, as well as responsive price management, helped to offset the increase in raw materials, supply chain and energy costs.

However, the segment's performance was dampened by production constraints that prevented it from meeting all the demand, particularly in North America, which lowered the absorption of fixed costs for the year.

The Services & Solutions business stepped up both the pace of growth and its geographic expansion, led by fleet management solutions.

Exchange rate movements had a negative impact on the segment's operating income.

Specialty businesses and related distribution – Analysis of segment operating income

Specialty businesses and related distribution *(in € millions)*	**2021**	**2020**	**2021/2020**	**2021** *(% of consolidated total)*	**2020** *(% of consolidated total)*
Sales	5,564	4,993	+11.4%	23%	24%
Change in volumes	9.8%				
Segment operating income	724	737	-1.8%	24%	39%
Segment operating margin	13.0%	14.8%	-1.7 pt		

Segment operating income from the Specialty businesses amounted to €724 million or 13.0% of sales, versus €737 million and 14.8% the year before. With less favorable prior-year comparatives than in the other two segments, performance was mixed for the year, despite the 9.8% overall increase in volumes.

Surface mining tires: Group sales were hurt by production constraints and the shortage of maritime shipping capacity, which prevented the plants from manufacturing and shipping all the tires demanded by the market, thereby reducing fixed cost absorption. Sales were lifted by the application, over the second half, of the raw materials indexation clauses included in a large percentage of contracts with mining operators; however given the time lag between the increase of costs (raw material and logistics) and the application of the clauses, the increase of selling prices did not enable to offset all inflators over the year, in particular logistic costs that are adjusted on a yearly basis.

Agricultural and Construction tires: Sales rose in fast-growing markets, particularly in the Original Equipment segment. Sales were negatively impacted, however, by tight plant capacity and logistics issues in shipping finished products, particularly from Sri Lanka.

Two-wheel tires: Segment operating income rose sharply in a very buoyant environment, supported in particular by a responsive, dynamic pricing policy.

Aircraft tires: Despite a shaky recovery, business remains severely impacted by the health crisis and the collapse in commercial aviation demand, although it remains buoyed by the greater resilience of the Military and General Aviation segments.

Fenner's conveyor belt business was adversely affected by (i) difficulties in the Australian mining business, caused in particular by Chinese restrictions on coal imports, and (ii) the slowdown in the service operations due to limitations on domestic freedom of movement in Australia.

Exchange rate movements had a negative impact on the segment's operating income.

5.1.3 c) Other income statement items

Raw materials

The cost of **raw materials** reported in cost of sales has been estimated at €5.0 billion in 2021 versus €3.8 billion in 2020.

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) a residual currency effect resulting from the difference between the purchasing companies' local currency and the currency used to purchase their raw materials.

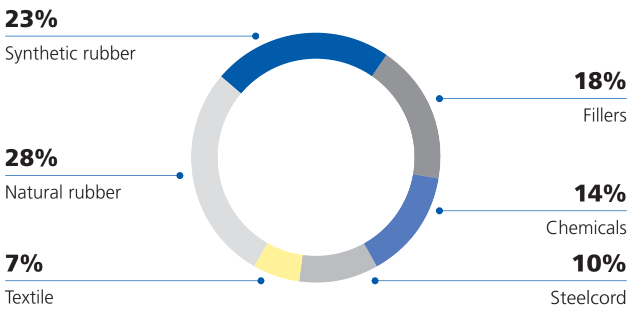
In 2021, the raw materials costs and the related transportation costs recognized in cost of sales included a €574 million unfavorable price impact, including the residual currency effect.

Changes in prices feed through to the income statement five to six months later for natural rubber and around three months later for butadiene.

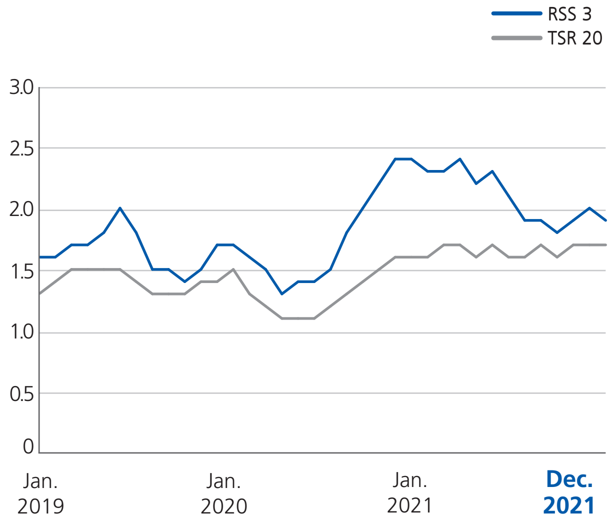
On the basis of estimated 2021 production volumes, the sensitivity of cash purchasing outlays to fluctuations in natural rubber and oil prices is as follows:

- a $0.10 per kg decrease in natural rubber prices would feed through to around an $90 million reduction in full-year purchasing costs;
- a $1.00 per barrel decline in oil prices would feed through to a $9 million decrease in full-year purchasing costs.

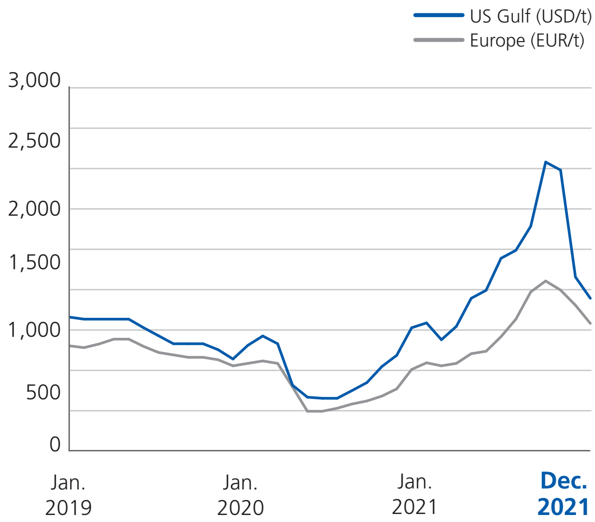
RAW MATERIALS RECOGNIZED IN 2021 COST OF SALES (€5.0 BILLION)



NATURAL RUBBER PRICES (SICOM)
(USD/kg)



BUTADIENE PRICES



Employee benefit costs and number of employees

Employee benefit costs came to €6,445 million or 27.1% of sales, up €449 million year-on-year. This change includes the impact of the upturn in business and the increase of compensation, particularly variable compensation, with respect to 2021. The decline in benefit costs as a percentage of sales was attributable to the more than 12% increase in sales over the year.

Headcount in high-cost regions, particularly in corporate functions, continued to decline in 2021 as operating procedures were simplified across the Group.

In 2021, an expense of €6,430 million was recognized in segment operating income, and an expense of €15 million was recognized in other operating income and expenses.

(in € millions and number of people)	2021	2020	Change
Total employee benefit costs	6,445	5,996	+7.5%
As a % of sales	27.1%	29.3%	-2.2 pts
Employees on payroll at December 31	124,760	123,600	+0.9%
Number of full-time equivalent employees at December 31	118,400	117,500	+0.8%
Average number of full-time equivalent employees	117,600	118,800	-1.0%

Depreciation and amortization

(in € millions)	2021	2020	Change
Total depreciation and amortization	1,812	1,840	-1.5%
As a % of sales	7.6%	9.0%	

Depreciation and amortization charges declined by €28 million to €1,812 million for the year, reflecting the slowdown in capital expenditure in 2020 in response to the Covid-19 crisis and the impairment losses recognized on the Chennai plant in 2020, which lowered depreciation for the year.

In addition, not all of the capital projects scheduled for 2021 could be deployed due to the shortages of semiconductors and materials and the pervasive disruption in global supply chains.

Of the total, €1,734 million was recognized in segment operating income and €78 million in other operating income and expenses (see notes 6 and 9 to the consolidated financial statements).

Transportation costs

(in € millions)	2021	2020	Change
Transportation costs	1,685	1,095	+53.9%
As a % of sales	7.1%	5.3%	

Transportation costs came to €1,685 million or 7.1% of sales in 2021, versus 5.3% in 2020. This exceptional spike resulted from the increase in volumes shipped, but also from the dramatic increase in transportation costs across the logistics chain due to the lack of containers and containerships on many maritime shipping routes. In response to the shortage of shipping capacity and other disruptions in the supply chain, the Group occasionally had to resort to more costly workarounds on an as-needed basis.

Sales and marketing expenses

Sales and marketing expenses represented 4.8% of sales in 2021, versus 5.2% in 2020. In value and on a like-for-like basis, they rose by €63 million on 2020 due to the upturn in business.

The year-on-year decline as a percentage of sales reflected the growth in sales led by higher volumes and price increases.

Research and development expenses

(in € millions)	2021	2020	Change
Research and development expenses	682	646	+5.6%
As a % of sales	2.9%	3.2%	

Research and development expenses rose by €36 million year-on-year to €682 million. This was back in line with 2019 outlays, in a demonstration of the Group’s commitment to maintaining its technological leadership in delivering performance and sustainability in its products and services.

As a percentage of sales, outlays declined to 2.9% from 3.2% in 2020, reflecting the growth in sales led by higher volumes and price increases.

General and administrative expenses

General and administrative expenses amounted to €2,137 million, a €143 million year-on-year increase that was primarily driven from the sharp upturn in business in 2021.

They represented 9.0% of sales for the year, down 0.7 point compared with 2020.

Segment other income and expenses

Segment other operating income and expenses represented a net expense of €67 million in 2021, a €60 million year-on-year decline that was primarily attributable to the year-on-year reduction in Covid-19-related expenditure. These outlays, which covered the cost of purchasing and producing masks and hand sanitizer, as well as cleaning and disinfection costs, totaled €26 million in 2021, versus €96 million in 2020.

Other operating income and expenses

Other operating income and expenses correspond to 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.

Other operating income and expenses represented a net expense of €189 million in 2021, versus a net expense of €475 million in 2020.

The €286 million year-on-year decrease was primarily attributable to:

- the recognition in 2020 of a €164 million impairment loss on the Chennai plant in India, which produces truck tires for the domestic market;
- the favorable impact of the sale of 51% of the net assets of Solesis to the Altaris investment fund, recognized in first-half 2021 in an amount of €114 million.

Other operating income and expenses are described in more detail in note 9 to the consolidated financial statements.

Cost of net debt

(in € millions)	2021	2020	Change
Cost of net debt	192	242	-50

At €192 million, the **cost of net debt** was down €50 million compared with 2020, primarily as a result of the following factors:

- a €31 million decrease in net interest expense to €206 million, reflecting the net impact of:
  - a €3 million decrease due to the €104 million reduction in average gross debt during the year,
  - a €28 million decrease from the decline in the average gross interest rate on borrowings to 2.6% in 2021 from 2.9% in 2020;
- a €39 million decrease in losses on exchange rate derivatives, due to the combined impact of the decline in rates in 2020 and their rise in 2021, along with the increase in the euro against the US dollar;
- an €11 million decrease in interest income from cash and equivalents;
- an aggregate €9 million net increase from movements in other factors.

Other financial income and expenses

(in € millions)	2021	2020	Change
Other financial income and expenses	4	14	-10

Other financial income and expenses represented a net expense of €4 million in 2021, a €10 million year-on-year decline stemming mainly from currency movements and net products of financial assets[(1)].

Income tax

(in € millions)	2021	2020	Change
Income/(loss) before taxes	2,471	979	+1,492
Income tax	**(626)**	**(354)**	**+272**
Current tax	(614)	(314)	+300
Withholding tax	(15)	(37)	-22
Deferred tax	3	(3)	-6

Income tax amounted to €626 million in 2021, a €272 million year-on-year increase that was mostly attributable to the steep growth in income before taxes. The €614 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 2021 was 25.3%, versus 36.2% the year before.

This 25.3% effective tax rate recognized in 2021 is in line with the normal level of 2019.

(1) Note 10 to the consolidated financial statements.

Consolidated net income and earnings per share

(in € millions)	2021	2020	Change
Net income	1,845	625	+1,220
As a % of sales	7.8%	3.1%	+ 4.7 pts
▶ Attributable to the shareholders of the Company	1,844	632	+1,212
▶ Attributable to the non-controlling interests	1	(7)	
EARNINGS PER SHARE (IN €)			
▶ Basic	10.31	3.52	+6.79
▶ Diluted	10.24	3.51	+6.73

Net income came to €1,845 million for the year, or 7.8% of sales, compared with €625 million in 2020 or 3.1% of sales.

The €1,220 million increase reflected the following factors:

- favorable factors:
  - the €1,088 million increase in segment operating income,
  - the €286 million decrease in net other operating expense,
  - the €75 million decline in net financial expense, led by the €50 million reduction in the cost of net debt,
  - the €43 million increase in the Group's share of profit from equity-accounted companies, reflecting in particular the contribution from the TBC dealership network in the United States;
- unfavorable factors:
  - the €272 million increase 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, 2021	December 31, 2020	Total change	Translation adjustments	Movement
Goodwill	2,286	2,136	+150	+122	+28
Intangible assets	1,811	1,980	-169	+101	-270
Property, plant and equipment	11,231	10,821	+410	+387	+23
Right-of-use assets	1,034	1,083	-49	+44	-93
Non-current financial assets and other non-current assets	1,404	865	+539	+49	+490
Investments in equity-accounted companies	1,103	941	+162	+58	+104
Deferred tax assets	751	729	+22	+11	+11
Non-current assets	**19,620**	**18,555**	**+1,065**	**+772**	**+293**
Inventories	5,272	3,959	+1,313	+175	+1,138
Trade receivables	3,576	3,018	+558	+99	+459
Current financial assets	713	429	+284	0	+284
Other current assets	1,038	929	+109	-12	+121
Cash and cash equivalents	4,482	4,747	-265	+13	-278
Current assets	**15,081**	**13,082**	**+1,999**	**+276**	**+1,723**
TOTAL ASSETS	**34,701**	**31,637**	**+3,064**	**+1,048**	**+2,016**

Equity and liabilities

(in € millions)	December 31, 2021	December 31, 2020	Total change	Translation adjustments	Movement
Share capital	357	357	0		0
Share premiums	2,746	2,746	0		0
Reserves	11,871	9,530	+2,341	+617	+1,724
Non-controlling interests	(3)	(2)	-1	-1	0
Total equity	**14,971**	**12,631**	**+2,340**	**+616**	**+1,724**
Non-current financial liabilities	5,360	6,169	-809	+20	-829
Non-current lease liabilities	731	801	-70	+29	-99
Provisions for employee benefit obligations	3,362	3,700	-338	+72	-410
Provisions and other non-current liabilities	759	775	-16	+19	-35
Deferred tax liabilities	503	425	+78	+32	+46
Non-current liabilities	**10,715**	**11,870**	**-1,155**	**+172**	**-1,327**
Current financial liabilities	1,682	1,546	+136	+39	+97
Current lease liabilities	229	222	+7	+8	-1
Trade payables	3,174	2,291	+883	+95	+788
Trade payables under reverse factoring agreements	613	437	+176	+28	+148
Provisions and other current liabilities	3,317	2,640	+677	+91	+586
Current liabilities	**9,015**	**7,136**	**+1,879**	**+262**	**+1,617**
TOTAL EQUITY AND LIABILITIES	**34,701**	**31,637**	**+3,064**	**+1,049**	**+2,015**

5.1.4 a) Goodwill

Goodwill before translation adjustments was up €28 million from December 31, 2020, reflecting the recognition of the provisional goodwill on the acquisition of Allopneus, which closed on December 30, 2021, and of the goodwill on the acquisition of Lumsden Corporation (High-Technology Materials).

Goodwill was reduced by the deconsolidation of Solesis, following the sale of a 51% stake in the company to the Altaris investment fund in May 2021.

5.1.4 b) Intangible assets

Intangible assets stood at €1,811 million for the year, a €270 million decrease from December 31, 2020 (before the positive €101 million translation adjustment). The decrease primarily resulted from the deconsolidation of Solesis assets following the sale of a 51% stake in the company to Altaris for an amount of €200 million.

5.1.4 c) Property, plant and equipment

Property, plant and equipment stood at €11,231 million at December 31, 2021, up just €23 million before the positive €387 million translation adjustment. The stability reflected the difficulties in completing all the initially planned capital projects in 2021, due to disruptions in the supply chain and shortages of components and spare parts. As a result, the Group was not fully able to make up for the carefully managed reduction in capital expenditure undertaken to conserve Group cash in 2020.

Additions to property, plant and equipment amounted to €1,494 million for the year, compared with €1,041 million in 2020.

Note that the deconsolidation of Solesis resulted in a €42 million reduction in the total for the year.

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 €1,034 million at December 31, 2021, down €93 million year-on-year (before the positive €57 million translation adjustment), due to the fact that new leases did not exceed depreciation on prior-year leases.

5.1.4 e) Non-current financial assets and other non-current assets

Non-current financial assets and other non-current assets stood at €1,404 million at year-end, a €490 million increase (before the positive €49 million translation adjustment) that was attributable mainly to the net growth in loans and deposits stemming from:

- the preferred shares received in connection with the sale of a 51% stake in Solesis to the Altaris investment fund;
- an investment deposited in an escrow account to fund pension obligations in the United Kingdom. This amount is pledged to the pension plans and is therefore not freely available to the Group.

5.1.4 f) Investments in equity-accounted companies

Excluding the positive €58 million translation adjustment, **investments in equity-accounted companies** rose by €104 million over the year to €1,103 million. The increase primarily reflected changes in scope, including the addition of Solesis following the sale of a 51% stake to Altaris in the first half and the removal of Allopneus, which has been fully consolidated since December 30, 2021[(1)].

5.1.4 g) Deferred tax

At December 31, 2021, the Group held a **net deferred tax asset** of €248 million, representing a year-on-year decline of €36 million (before the negative €20 million translation adjustment). The decrease was mainly due the net impact of (i) the €87 million reduction in the taxes recognized in other comprehensive income with regard with post-employment benefit obligations[(2)], and (ii) the €48 million increase following the sale of a 51% stake in Solesis.

5.1.4 h) Trade working capital

(in € millions)	December 31, 2021	December 31, 2020	Change	2021 *(as a % of sales)*	2020 *(as a % of sales)*
Inventories	5,272	3,959	+1,313	22.2%	19.3%
Trade receivables	3,576	3,018	+558	15.0%	14.7%
Trade payables	(3,174)	(2,291)	-883	(13.3)%	(11.2)%
Trade payables under reverse factoring agreements	(613)	(437)	-176	(2.6)%	(2.1)%
TRADE WORKING CAPITAL	**5,061**	**4,249**	**+812**	**21.3%**	**20.8%**

Trade working capital requirement increased by €812 million on the strong upturn in business during the year. As a percentage of sales, it rose by 0.5 point, to 21.3% at end-2021, from 20.8% at end-2020.

At €5,272 million, **inventories** represented 22.2% of sales at year-end, versus €3,959 million and 19.3% in 2020. Before the positive €175 million translation adjustment, this corresponded to a €1,138 million increase for the year.

The increase primarily stemmed from comparison with the historically low inventories at December 31, 2020, after sluggish second-half sales prevented the Group from fully replenishing its inventory.

A second factor was the impact of higher raw materials prices that have impacted year end inventories valuation.

Lastly, the amount of inventory in transit was significantly increased by disruptions in global supply chains, particularly the longer shipping times and worsening port congestion.

However, average inventories as a percentage of sales decreased over the year, reflecting the structural efforts pursued in 2021.

Trade receivables stood at €3,576 million or 15.0% of sales, a year-on-year increase of €558 million or 0.3 point of sales that tracked sales growth for the year. Whereas in 2020, economic support measures helped to avoid an increase in past-due receivables, in 2021 they held steady thanks to the Group's highly disciplined credit policies and the upturn in business, which enabled customers to rebuild their cash flow[(3)].

Trade payables, including those **covered by reverse factoring contracts**, ended the year at €3,791 million, or 15.9% of sales, up 2.6 points from December 31, 2020. The increase reflected the strong growth in business, as well as the general rise in raw material, transportation and energy costs.

(1) Note 17.1 to the consolidated financial statements.
(2) Note 18.1 to the consolidated financial statements.
(3) Note 20 to the consolidated financial statements.

5.1.4 i) Cash and cash equivalents

Cash and cash equivalents stood at €4,482 million, down €278 million year-on-year excluding translation adjustments, as a result of the following main factors:

- increases from:
  - the €1,357 million in free cash flow,
  - €24 million in other favorable items;
- decreases from:
  - the €1,245 million reduction in debt during the year,
  - the payment of €414 million in dividends and profit shares.

5.1.4 j) Total equity

Including the positive €616 million in translation adjustments, **total equity** rose by €2,340 million over the year to represent €14,971 million at December 31, 2021.

The €1,724 million increase excluding translation adjustments was primarily due to the following factors:

- the €2,118 million increase in comprehensive income for the year, including:
  - €1,845 million in net income,
  - the €351 million favorable impact from post-employment benefit obligations,
  - the €83 million unfavorable impact from taxes payable on post-employment benefit obligations,
  - €5 million in other favorable items;
- the €415 million impact from dividend and other payments;
- the €21 million favorable impact from service costs on performance share plans.

At December 31, 2021, the **share capital** of Compagnie Générale des Établissements Michelin stood at €357,060,900, comprising 178,530,450 shares outstanding corresponding to 238,147,046 voting rights.

5.1.4 k) Net debt

Net debt stood at €2,789 million at December 31, 2021, down €742 million from December 31, 2020, primarily as a result of the following factors:

- €942 million in net cash flow, resulting from:
  - €1,357 million in free cash flow,
  - €415 million in distributions, of which €414 million in dividends;
- two factors increasing net debt by an aggregate €250 million:
  - a €167 million increase from the recognition of new leases,
  - a €83 million increase from translation adjustments;
- €50 million in other factors decreasing net debt.

CHANGES IN NET DEBT

(in € millions)	2021	2020
At January 1	**3,531**	**5,184**
Free cash flow[1] before M&A	-1,460	-2,043
Investments in new ventures	+107	+40
Financing of joint ventures and associates	-4	-1
Free cash flow[1]	**-1,357**	**-2,004**
Distributions and other	+415	+368
Share buybacks	-	+99
Employee share issue – Bib'Action	-	-31
New leases	+167	+211
Changes in scope of consolidation	+17	-8
Translation adjustments	+83	-262
Other	-67	-26
AT DECEMBER 31	**+2,789**	**+3,531**
CHANGE	**-742**	**-1,653**

(1) See definition in section 3.5.3.

Gearing

Gearing declined to 18.6% at December 31, 2021 from 28% at year-end 2020, primarily due to the year-on-year reduction in net debt plus the increase in equity chiefly led by the growth in comprehensive income for the year.

Credit ratings

The solicited corporate credit ratings of Compagnie Générale des Établissements Michelin (CGEM), Compagnie Financière Michelin SA and CFM Suisse SA are as follows:

		CGEM	Compagnie Financière Michelin SA	CFM Suisse
Short term	Standard & Poor's	A-2	A-2	A-2
	Fitch Ratings	F2	F2	F2
Long term	Standard & Poor's	A-	A-	A-
	Fitch Ratings	A-	A-	A-
Outlook	Standard & Poor's	Stable	Stable	Stable
	Fitch Ratings	Stable	Stable	Stable

On November 10, 2021, Standard & Poor's affirmed Michelin's short-term A-2 and long-term A- credit ratings, as well as its stable outlook.

On March 19, 2021, Fitch Ratings affirmed Michelin's short-term F2 and long-term A- credit ratings, as well as its stable outlook.

Moody's, whose rating has not been solicited since July 1, 2020, nevertheless affirmed, on April 28, 2021, CGEM's long-term credit rating and stable outlook:

	CGEM	Compagnie Financière Michelin SA	CFM Suisse
Long term	A3	N/A	N/A
Outlook	Stable	N/A	N/A

5.1.4 l) Provisions

Provisions and other non-current liabilities declined by €16 million over the year, to €759 million from €775 million at December 31, 2020. Excluding the positive €19 million in translation adjustments, the decrease amounted to €35 million, stemming from (i) payments out of restructuring provisions set aside in prior years, partially offset by the new provisions written in 2021 as part of the French simplification and competitiveness plan announced on January 6, 2021; and (ii) the reclassification of certain short-term provisions as current liabilities.

5.1.4 m) Employee benefits

CHANGE IN THE FAIR VALUE OF THE NET DEFINED BENEFIT OBLIGATION

(in € millions)	Pension plans	Other plans	2021	2020
At January 1	**1,626**	**1,863**	**3,489**	**3,828**
Contributions paid to the funds	(19)	-	(19)	(142)
Benefits paid directly to the beneficiaries	(48)	(71)	(119)	(146)
Other movements	-	(3)	(3)	-
ITEMS RECOGNIZED IN OPERATING INCOME				
Current service cost	34	77	111	115
Actuarial (gains) or losses recognized on other long-term benefit plans	-	(8)	(8)	1
Past service cost resulting from plan amendments	(1)	-	(1)	(2)
Effect of plan curtailments or settlements	(1)	-	(1)	9
Effect of plan curtailments recognized within reorganizations and adaptation of activities	(72)	(96)	(168)	5
Other items	8	(1)	7	6
ITEMS RECOGNIZED OUTSIDE OPERATING INCOME				
Net interest on employee benefit obligations	12	29	41	54
ITEMS RECOGNIZED IN OTHER COMPREHENSIVE INCOME				
Translation adjustments	(4)	56	52	(94)
Actuarial (gains) or losses	(317)	(72)	(389)	(145)
Unrecognized assets due to the effect of the asset ceiling	38	-	38	-
AT DECEMBER 31	**1,256**	**1,774**	**3,030**	**3,489**

The net defined benefit obligation recognized at December 31, 2021 stood at €3,030 million, a year-on-year decrease of €459 million as reported and of €511 million excluding the positive €52 million translation adjustment (stemming primarily from the increase in the US dollar against the euro).

The decline in the net defined benefit obligation reflected the following main factors:

- the total €138 million in contributions and benefits paid in 2021 (2020: €288 million), of which:
  - €19 million in contributions paid to fund management institutions (2020: €142 million),
  - €119 million in benefits paid directly to employees (2020: €146 million);
- a €108 million expense recognized in operating income in 2021 (2020: €134 million) that primarily resulted from the cost of defined benefit plans;
- a €168 million gain recognized in operating income, stemming from the French simplification and competitiveness plan announced on January 6, 2021;
- the €41 million in net interest expense on the net defined benefit obligation, recognized outside of operating income (2020: €54 million);
- the €389 million in actuarial gains recorded in 2021 (2020: actuarial losses of €145 million), which corresponded to:
  - €350 million in actuarial gains on defined benefit obligations, resulting mainly from increases in discount rates, of which €38 million was not recognized due to the effect of the asset ceiling,
  - €39 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 €218 million in 2021 (2020: €217 million).

5.1.5 CONSOLIDATED CASH FLOW STATEMENT REVIEW

5.1.5 a) Cash flow from operating activities

(in € millions)	2021	2020	Change
Segment EBITDA	**4,700**	**3,631**	**+1,069**
Change in net inventories	-1,106	+552	-1,658
Change in net trade receivables	-370	+92	-462
Change in net trade payables	+647	-19	+666
Restructuring cash costs	-214	-206	-8
Other changes in provisions	+13	-185	+198
Tax and interest paid	-769	-580	-189
Other	+5	+81	-76
NET CASH FROM OPERATING ACTIVITIES	**2,906**	**3,366**	**-460**

At €4,700 million, or 19.7% of sales, segment **EBITDA** was up €1,069 million compared with 2020 (at 17.7% of sales), reflecting the €1,088 million increase in segment operating income over the year.

Net cash from operating activities declined by €460 million to €2,906 million for the year, as the €1,069 million increase in EBITDA was more than offset by:

- a €1,454 million decrease from the rise in trade working capital following the sharp upturn in business and the rebuilding of inventories;
- a €189 million decrease from the higher tax and interest paid;
- an aggregate €122 million increase from other factors, including a €198 million reduction in provisions.

Restructuring-related outlays were unchanged overall, with just a slight €8 million increase for the year.

5.1.5 b) Capital expenditure

(in € millions)	2021	2020	2021/2020	2021 *(as a % of sales)*	2020 *(as a % of sales)*
Additions to intangible assets and PP&E	**1,705**	**1,221**	**+484**	**7.2%**	**6.0%**
Investment grants received and change in capital expenditure payables	(226)	148	-374	(0.9)%	0.7%
Proceeds from sales of intangible assets and PP&E	(38)	(46)	+8	(0.2)%	(0.2)%
NET ADDITIONS TO INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	**1,441**	**1,323**	**+118**	**6.1%**	**6.5%**

Additions to intangible assets and property, plant and equipment amounted to €1,705 million in 2021, compared with €1,221 million in 2020. After the scale-backs in 2020 intended to conserve cash as demand fell sharply due to Covid-19, the increase in 2021 reflected the Group's determination to continue investing to (i) improve the flexibility, competitiveness and safety of its manufacturing facilities; (ii) deploy technological innovations to support its expansion strategy around and beyond tires; and (iii) address the challenges of the energy transition.

However, total outlays for the year still fell short of the €1,801 million committed in 2019, primarily because the disruptions in global supply chains, shortages of materials, components and spare parts, and tight labor market conditions that adversely impacted supplier businesses in certain regions combined to prevent the Group from completing all its initially planned capital projects and investments and from making up for the carefully managed reduction in capital expenditure undertaken to conserve Group cash in 2020.

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:

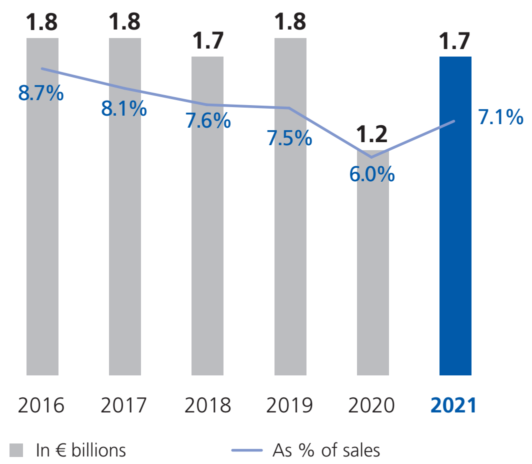
- in Thailand.

Specialty products:

- mining tires;
- off-the-road tires (Agricultural, Construction, Materials Handling);
- 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.

"Investments grants received and change in capital expenditure payables" corresponds mainly to changes in capital expenditure payables.

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)	2021	2020
Net cash from operating activities	2,906	3,366
Routine capital expenditure (maintenance, IT, dealerships, etc.)	(1,189)	(722)
AVAILABLE CASH FLOW	**1,717**	**2,644**
Competitiveness and growth investments	(381)	(355)
Investments in new ventures	(135)	(144)
Acquisitions	(107)	(39)
Other	263	(102)
FREE CASH FLOW	**1,357**	**2,004**

After subtracting €1,189 million in routine capital expenditure, available cash flow stood at €1,717 million for the year ended December 31, 2021.

Free cash flow was positive, at €1,357 million, after outlays of €381 million in competitiveness and growth investments and €135 million in investments in new ventures. The €107 million in acquisitions primarily concerned the purchase of all the outstanding shares in Allopneus that the Group did not already own, as well as purchases of controlling interests that were individually not material.

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 €1,793 million in structural free cash flow in 2021, the Group met the guidance issued on October 24, 2021 targeting more than €1,000 million in structural free cash flow for the year.

	2021	2020
FREE CASH FLOW	**1,357**	**2,004**
Acquisitions	107	39
FREE CASH FLOW EXCLUDING ACQUISITIONS & DISPOSALS	**1,464**	**2,043**
Impact of raw materials costs on working capital	329	-33
STRUCTURAL FREE CASH FLOW	**1,793**	**2,010**

5.1.6 RETURN ON CAPITAL EMPLOYED (ROCE)

The return on capital employed by the Group is measured by dividing net operating profit after tax (NOPAT) by the average economic assets employed during the year.

For the NOPAT calculation, amortization of acquired intangible assets and Group's share of profit/(loss) from equity-accounted companies are added to the segment operating income.

The theoretical tax liability was calculated at a standard rate of 25%, corresponding to the Group's normal average effective tax rate.

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.

Based on a theoretical balance between equity and debt, the Group's weighted average cost of capital (WACC) is estimated at 7.5%, which is in line with external benchmarks. 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)	2021	2020
Segment operating income restated for ROCE calculation	2,819	1,677
Average standard income tax rate used for ROCE calculation	25%	25%
Segment operating income after tax (NOPAT)	**2,114**	**1,258**
Economic assets at December 31	21,201	19,772
Average economic assets	**20,496**	**21,037**
Consolidated ROCE	**10.3%**	**6.0%**

5.1.7 TREND INFORMATION

Outlook

In 2022, in a still highly uncertain environment due to the unfolding health crisis, Passenger car and Light truck tire markets are expected to expand by 0% to 4% over the year, Truck tire markets by between 1% and 5%, and the Specialty markets by 6% to 10%. Based on this scenario, the Group expects to grow in line with the markets.

Considering the raw material prices and transportation costs observed in early 2022, the Group also anticipates that these factors will have a significantly negative impact on its 2022 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 and offset the increase in cost inflation factors.

Based on this scenario, and barring any new systemic impact from Covid-19[1], Michelin's objectives are to deliver full-year segment operating income in excess of €3.2 billion at constant exchange rates and structural free cash flow of more than €1.2 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.

Recent events

Redemption of convertible bonds due in 2022

The Group redeemed the outstanding convertible bonds due January 10, 2022, for a nominal amount of $592 million (€523 million at the reporting date exchange rate). Additional information is provided in note 26.1 of the consolidated financial statements.

No other material events occurred between the reporting date and the date when the consolidated financial statements were approved for publication by the Managing Chairman.

5.1.8 HIGHLIGHTS

5.1.8 a) Strategy

January 6, 2021 — Michelin launches a simplification and competitiveness project to support developments in its operations in France.

To prepare for the future, Michelin has launched a three-year project to upgrade and transition its manufacturing, 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. The 2021 Collective Settlement Agreement signed on June 7 by the CFDT, CFE-CGC and SUD trade unions was approved by the local labor authorities (DREETS) on June 14, enabling deployment of the Agreement's voluntary early retirement and outplacement measures.

March 19, 2021 – Michelin partners with sennder, Europe's leading digital freight forwarder.

Through their partnership, Michelin and sennder will deliver a suite of fleet services to make road freight more cost effective and less carbon intensive. sennder and Michelin's collaboration will initially focus on Northern Europe and Iberia, with plans to scale it across other European markets throughout 2021.

April 2, 2021 – BMW Group reaffirms its trust in Michelin tires.

The benefits of Michelin and BMW's long-standing, 35-year relationship, built on the shared values of precision, performance, responsibility and innovation, have again been illustrated with the development of the MICHELIN Pilot Sport 4S and the MICHELIN Pilot Sport Cup 2 Connect tires specifically for the BMW M3 and M4.

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

April 8, 2021 – Michelin presents its strategy for 2030: Michelin in Motion.

At the Group's Capital Markets Day, Florent Menegaux presented Michelin in Motion, the Group's "All Sustainable" strategy for 2030, which is based on constantly seeking the right balance between People, Profit and Planet. He also presented the Group's ambitious targets for 2030 and reaffirmed the commitment to driving strong expansion in five tire-related and other business segments: Services & Solutions, flexible composites, healthcare, metal 3D printing and hydrogen mobility.

April 23, 2021 – Harley-Davidson and Michelin pursue their long-standing collaboration.

Michelin has custom-designed the MICHELIN Scorcher Adventure tire for the Harley-Davidson Pan America™ 1250 motorcycle. Over the past 13 years, Michelin has nurtured a close working relationship with Harley-Davidson, based on performance, quality and innovation, and today, its tires equip more than 40% of the motorcycles manufactured by the American brand.

May 17, 2021 – Camso earns recognition as a "Partner-level supplier for 2020" in the John Deere Achieving Excellence Program.

The Partner-level status is Deere & Company's highest supplier rating. The honor recognizes Camso's dedication to providing products and services of outstanding quality as well as its commitment to continuous improvement.

May 21, 2021 – The Annual Meeting of Michelin shareholders was held behind closed doors in compliance with French health rules. The event was an opportunity for a number of people to pay tribute to Michel Rollier, who stepped down as Chairman of the Supervisory Board. His successor, Barbara Dalibard, was elected at the same-day meeting of the Board.

June 1, 2021 – Movin'On's governance body is now shared.

A number of chief executives of leading global corporations have joined with Florent Menegaux, President of Movin'On and Managing Chairman of the Michelin Group. The new shared governance represents a major milestone in Movin'On's development, designed to set the organization's strategic direction and deliver actionable solutions to speed the transition to sustainable mobility. Movin'On's governance body now comprises 12 CEOs.

September 24, 2021 – Engie supports Michelin in decarbonizing its historic Cataroux plant in Clermont-Ferrand.

Through the partnership, Michelin is seeking to reduce the facility's energy use while cutting its greenhouse gas emissions. These goals fit seamlessly with the Group's "All Sustainable" vision, particularly the commitment to fighting global warming.

October 1, 2021 – At its fifth annual Supplier Awards, Michelin honors nine of its best suppliers.

Michelin recognized nine of its best suppliers in the industrial purchasing, raw materials purchasing and service procurement categories based on five criteria: Sustainability, Innovation, Quality, Risk Management and Support provided during the crisis. Michelin believes that the quality and effectiveness of its supplier relations are essential drivers of its sustainable performance.

October 1, 2021 – Fenner™ Precision Polymers acquires Lumsden Corporation, a leading manufacturer of metal conveyor belting. The deal strengthens the position of Fenner™ Precision Polymers as a leading supplier of highly specialized conveying products.

October 5, 2021 – Acting in its capacity as Non-Managing General Partner of Compagnie Générale des Établissements Michelin (CGEM) and with the approval of the Supervisory Board, Société Auxiliaire de Gestion (SAGES) renewed Florent Menegaux as Managing General Partner and Yves Chapot as General Manager for new four-year terms, which will begin when their current terms end at the close of the next Annual Shareholders Meeting, on May 13, 2022, and end at the close of the Annual Shareholders Meeting to be held in the first half of 2026.

December 30, 2021 - Michelin acquires 100% ownership of Allopneus SAS.

With this acquisition of 100% ownership of Allopneus, the French leader in sales and tire fitting online for private individuals, Michelin consolidates its e-commerce presence in France. Each year, Allopneus is selling around 3.6 million touring tires and receives around 27 million visits on its site. Michelin was owning so far 40% of the company.

5.1.8 b) Innovation and new ecosystems

February 9, 2021 – CAMSO optimizes productivity for its construction industry customers.

CAMSO has introduced the CAMSO TLH 732+ telehandler tire that delivers 64% more service life than its predecessor, the TLH 732. The new tire offers professionals in the construction industry performance, long-lasting durability, puncture resistance and improved traction.

April 2021 – Symbio, a Faurecia Michelin Hydrogen Company, is helping to accelerate the transition to hydrogen mobility.

Symbio is on a roll with its two development projects underway, one with bus manufacturer Safra and the other with Stellantis, in a further illustration of the growing importance of hydrogen technology in making zero-emission mobility a reality. The project to build Europe's largest hydrogen fuel cell plant in Saint-Fons, France, will also actively help to accelerate the transition to hydrogen mobility. It is scheduled to come on stream in 2023.

April 15, 2021 – Michelin and Altaris announce their intention to join forces to speed the growth of Solesis, a Michelin subsidiary specializing in biomaterials for the healthcare industry.

The Partnership Agreement has three components: (i) the acquisition of a 51% stake in Solesis by Altaris; (ii) the deployment of a governance system; and (iii) a research and development partnership between Michelin and Solesis. The announcement offers another compelling illustration of the Group's commitment to expanding beyond tires, with a focus on high-tech materials.

April 15, 2021 – ProovStation partners with Michelin to reduce the time and costs of tire inspection.

The solution developed by ProovStation, the European leader in automated inspection, has been enhanced by Michelin's expertise thanks to MICHELIN QuickScan technology, which can check tire wear automatically and instantaneously with millimeter precision. In addition to its technology, which is protected by more than 15 patents, Michelin is contributing its experience in analyzing tire data using its proprietary artificial intelligence algorithms.

April 23, 2021 – Michelin take a major step with Carbios towards developing 100% sustainable tires.

Michelin has successfully validated the use of Carbios'enzymatic recycling technology for PET[1] plastic waste in its tires. This takes the Group one step closer to fulfilling its 2050 ambition of manufacturing tires that are 100% sustainable, i.e., made entirely of renewable, recycled or otherwise sustainable materials, with an interim goal of 40% by 2030.

April 30, 2021 – Michelin launches two new EV tire ranges.

Following on from the February launch of the MICHELIN Pilot Sport EV, the first tire in the Pilot Sport family purpose-engineered for electric sports cars, Michelin has announced the roll-out of the MICHELIN X Incity EV Z tire, the Group's first family of tires designed specifically for electric buses. With the new ranges, Michelin is supporting the transition towards cleaner, more efficient and longer-range electric mobility solutions. The EV market represents a genuine growth opportunity and energy transition accelerator.

May 19, 2021 – The new MICHELIN Guide – Tablet Hotels app wins its first award.

The MICHELIN Guide and Tablet Hotels have combined their expertise to develop a new global app that provides access to all the selections of their inspectors and experts in more than 30 destinations in the Americas, Europe, and Asia. The application alone contains nearly 20,000 curated addresses. The Webby Awards, which honor excellence on the Internet, awarded it the "Webby Honoree" distinction in the "Apps and Software" category.

May 27, 2021 – The new MICHELIN TRAILXBIB tire increases farm yields.

Designed in association with farmers in a number of countries, the MICHELIN TRAILXBIB tire incorporates the innovative MICHELIN Ultraflex technology that improves farm yields by reducing soil compaction. In addition, the MICHELIN TRAILXBIB range is compatible with remote inflation systems, which enable operators to easily adjust tire pressure in real time according to the driving surface or soil conditions.

May 28, 2021 – AddUp takes metal 3D printing to the next level.

AddUp, the joint venture created by Michelin and Fives in 2016 and specialized in metal 3D printing, has developed a new generation of machines with promising features for industry. Michelin believes metal 3D printing is one of the growth drivers in the high-tech materials field. The new-generation machines support Michelin's ambitions to expand its operations beyond tires.

June 1, 2021 – 2021 Movin'On: Michelin presents two innovations to accelerate the development of sustainable mobility.

The WISAMO project, an automated, telescopic, inflatable wing sail system that will help to decarbonize maritime shipping, and a high-performance racing tire containing 46% sustainable materials offer further tangible, real-world proof of the Group's determination to make mobility increasingly sustainable. The innovations also demonstrate Michelin's commitment to basing a portion of its growth on the development of new business activities, while showcasing its ability to incorporate an ever-higher percentage of sustainable materials into its products without compromising on their performance. Michelin expects to use 100% sustainable materials in all its tires by 2050.

June 17, 2021 – KRISTAL.aero and Michelin launch KRISTAL.air, a mobile app for everyone who flies light aircraft.

The new app expresses Michelin Aviation's commitment to fostering connected mobility, safe flying and closer customer relationships. It is also compatible with the Group's "All Sustainable" vision. Pilots can now optimize their flights, in particular by enhancing the quality of their landings and reducing their environmental impact with greater fuel efficiency and lower CO_2 emissions.

June 23, 2021 – Michelin designs the new MICHELIN X AGVEV, the first tire specifically engineered for automatic guided vehicles (AGVs).

Today, most AGVs operating in port facilities are electrically powered. The EV-marked MICHELIN X AGVEV is the first port tire that helps to cut CO_2 emissions and increase an electric vehicle's battery life, thanks to its very low rolling resistance.

June 30, 2021 – Michelin introduces two new truck tires, the MICHELIN X® MULTI™ ENERGY™ and the MICHELIN X® MULTI GRIP™.

In February 2021, Michelin announced the launch of new MICHELIN X® MULTI™ ENERGY™ tires delivering greater fuel efficiency, lower CO_2 emissions, longer mileage and a host of other benefits. Four months later, the lineup has been expanded with the new MICHELIN X® MULTI GRIP™ tire, designed to ensure maximum safety and mobility in extreme winter conditions and on wet roads. The new tire not only helps to make overland shipping more sustainable, in particular by reducing CO_2 emissions per kilometer driven, it can also be regrooved and retreaded to extend its service life.

June 30, 2021 – Michelin launches "WATEA by Michelin" to support its corporate customers in transitioning to zero-emission mobility.

Based on an all-inclusive monthly subscription and a palette of more than 80 services, the new Michelin solution will facilitate access to charging stations and make it easier to manage battery-powered and, in the near future, hydrogen-powered commercial EV fleets. This unprecedented, all-in-one solution is a further illustration of the Group's expertise in services, one of its major new growth areas.

(1) *Polyethylene terephthalate. PET is a currently oil-based plastic; the monomers used, ethylene glycol and terephthalic acid, come from petroleum processing. PET is the raw material of one of the main textile fibers used in tire reinforcements.*

September 2, 2021 – Michelin introduces MICHELIN CrossClimate 2, the new generation of MICHELIN All-Season tires.

With its new technologies, the MICHELIN CrossClimate 2 tire is designed to uphold its market leadership and set the standard for all-season tires, without compromising on any performance factors. Safer, longer-lasting and more economical, the MICHELIN CrossClimate 2 is a further illustration of the Group's "All Sustainable" strategy. It also demonstrates the Group's commitment to investing and innovating to develop premium tires delivering very high technological value.

October 13, 2021 – Michelin subsidiary ResiCare finds an initial outlet "beyond tires."

The technological advance, intended for the wood industry, is the result of a collaboration that began in 2018 between ResiCare and Allin, a French plywood panels manufacturer. As a market leader in adhesive solutions, ResiCare is successfully supporting Michelin's "All Sustainable" vision and its commitment to expanding beyond tires. The subsidiary is dedicated to producing high-performance adhesive resins, free of toxic molecules, from bio-based feedstocks.

November 17, 2021 – Michelin introduces MICHELIN Connected Fleet, its new umbrella brand for fleet services.

At the Solutrans trade show, Michelin presented MICHELIN Connected Fleet, which now brings together all the Group's fleet management services and solutions under the same banner. Comprising Masternaut in Europe, NexTraq in North America, and Sascar in Latin America, MICHELIN Connected Fleet is currently used by 70,000 customers worldwide, representing a fleet of 600,000 vehicles in 48 countries that collect and process data from approximately 300 million trips a year.

November 19, 2021 – Michelin acquires AirCaptif, a specialty manufacturer of ultralight inflatable structures.

The acquisition of the innovative French startup with unique know-how in the field of ultralight inflatable structures for protection and insulation is fully aligned with Michelin's sustainable growth strategy beyond tires. It also illustrates the Group's commitment to expanding in high-tech materials.

November 25, 2021 – Michelin sets out the challenges of 100% sustainable tires at the Group's global Research and Development center in Clermont-Ferrand.

At its first Media Day, Michelin reaffirmed its target of using an average of 40% sustainable materials in its tires by 2030 and of raising this rate to 100% by 2050. To meet these objectives, Michelin is leveraging all its powerful innovation expertise and its ability to develop innovative new technologies in ecosystems, while taking action at every stage of the tire life cycle, from design, manufacture and logistics to use, EOL collection and recycling.

5.1.8 c) Motorsports

March 10, 2021 – Michelin launches its new MICHELIN Wild Enduro Racing Line mountain bike tire.

The new line has already demonstrated its capabilities with wins in some of the world's most challenging races, including two Elite World Enduro Championship titles with Sam Hill; one U21 World Enduro Championship title with Elliot Heap; and two Masters World Enduro Championship titles with Karim Amour.

August 18, 2021 – Michelin's first racing tire made from 46% sustainable materials, unveiled a few weeks earlier at Movin'On, takes its first parade laps.

Michelin's first racing tire made from 46% biosourced and recycled materials took its first laps around the Le Mans 24 Hours track, in a concrete illustration of the Group's "All Sustainable" vision. By 2050, every Michelin tire will be made entirely of sustainable materials, with an interim target of 40% in 2030.

September 15, 2021 – Michelin and Dorna extend their MotoGP™ partnership.

By renewing its partnership with Dorna Sports, Michelin will remain the exclusive official tire supplier of the premier class of motorcycle Grand Prix racing from 2024 to 2026. "*At Michelin, we see motorsports like a lab that encourages transfers of expertise and swift application of our sustainable solutions that benefit everyone*" Florent Menegaux.

5.1.9 MATERIAL CONTRACTS

There are no material contracts other than those conducted in the ordinary course of the 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		95	99	37	51	282
Total amount of invoices (including tax)		231 526	93 259	32 044	64 347	421 176
Percentage of total purchases for the period (including tax)		0,04 %	0,02 %	0,01 %	0,01 %	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

The items presented below reflect the impact of the conflict between Russia and Ukraine that began on February 24, 2022, i.e., ten days after the Group published its 2021 results and its 2022 guidance. The Report of the Managers, included in this Universal Registration Document, has not been amended since its publication.

Since the start of the conflict, the Group's primary concern has been to guarantee the safety of its employees. Michelin has 12 employees in Ukraine, based in Kyiv and Western Ukraine, who work there to develop sales. In the current circumstances, the Group is providing them with the best possible logistical support and, given the difficulties involved in transferring funds, is implementing the necessary arrangements to pay them salary advances.

Group exposure to Russia

After setting up an initial establishment in Russia in the early 20th century, Michelin has been present in the country since 1997 and was the first foreign tire manufacturer to open a production plant there in 2004. Michelin employs around 1,000 people in the country, including 750 at the Davydovo plant, located about a hundred kilometers from Moscow. This site has a production capacity of 1.5 to 2 million tires per year, mainly for passenger cars, i.e. 1% of the Group's global capacity in this segment. Most of this production is dedicated to the Russian market.

Michelin's sales in Russia represent around 2% of the Group's total sales.

Michelin does not produce or sell any tires for military use in Russia.

Impact of the conflict on the Group's operations

In a press release published on March 15, 2022, the Group announced the suspension of its manufacturing operations in Russia, as well as of its exports to Russia, due to severe operating restrictions stemming from supply difficulties, the disruption of financial flows and monetary instability.

Like other tire manufacturers, Michelin sources certain raw materials from Russia for its European plants. In a press release on March 3, 2022, the Group announced the closure of certain plants in Europe for a few days during the month of March, given procurement issues and supply chain disruptions resulting from the conflict, and in order to optimize its operations. This operational adjustment allowed priority to be given to the Group's high-value added segments. On the date this document was published, operations had resumed at all the facilities concerned.

Activating alternative sourcing solutions has however limited the operational impact, attesting to the effectiveness of the Group's business continuity procedures with regard to manufacturing business interruption risks and supply chain risks, as described in Chapter 2 of this Universal Registration Document.

Beyond Michelin's exposure to Russia and Ukraine, the potential impact of the conflict on the global economy remains very uncertain to date.

Impact on the Group's financial position

At the end of December 2021, the Group's balance sheet exposure linked to its three subsidiaries in Russia and Ukraine amounted to around €200 million, including intangible assets for around €40 million.

5.1.12 INFORMATION DISCLOSED IN COMPLIANCE WITH ARTICLES L. 225-102-1 AND R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

The 2021 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 the section 4, "Non-financial performance".

5.1.13 DISCLOSURE PURSUANT TO FRANCE'S DUTY OF CARE ACT APPLICABLE TO PARENT COMPANIES AND SUBCONTRACTING COMPANIES

The 2021 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 FIVE-YEAR SUMMARY OF CONSOLIDATED KEY FIGURES AND RATIOS

(in € millions)	2021	2020	2019	2018*	2017
Sales	23,795	20,469	24,135	22,028	21,960
% change	+16.3%	-15.2%	+9.6%	+0.3%	+5.0%
Total employee benefit costs	6,445	5,996	6,365	6,038	5,871
as a % of sales	27.1%	29.3%	26.4%	27.4%	26.7%
Number of full-time equivalent employees at period-end	118,400	117,500	121,300	111,100	107,800
Research and development expenses	682	646	687	648	641
as a % of sales	2.9%	3.2%	2.8%	2.9%	2.9%
Segment EBITDA(1)	**4,700**	**3,631**	**4,763**	**4,119**	**4,087**
Segments operating income	2,966	1,878	3,009	2,775	2,742
Segment operating margin	12.5%	9.2%	12.5%	12.6%	12.5%
Operating income	2,777	1,403	2,691	2,550	2,631
Operating margin	11.7%	6.9%	11.1%	11.6%	12.0%
Cost of net debt	192	242	330	200	176
Other financial income and expenses	(4)	(14)	(5)	16	0
Income before taxes	2,471	979	2,236	2,230	2,354
Income tax	626	354	506	570	661
Effective tax rate	25.3%	36.2%	22.6%	25.6%	28.1%
Net income	1,845	625	1,730	1,660	1,693
as a % of sales	7.8%	3.1%	7.2%	7.5%	7.7%
Dividends	410	357	666	637	585
Net cash from operating activities	**2,906**	**3,366**	**3,321**	**2,831**	**2,741**
as a % of sales	12.2%	16.4%	13.8%	12.9%	12.5%
Gross purchases of intangible assets and PP&E	1,705	1,221	1,801	1,669	1,771
as a % of sales	7.2%	6.0%	7.5%	7.6%	8.1%
Net debt(2)	2,789	3,531	5,184	4,056	716
Total equity	14,971	12,631	13,229	12,181	11,261
Gearing	19%	28%	39%	33%	6%
Net debt(2)/segment EBITDA(1)	0.59	0.97	1.09	0.98	0.18
Segment operating income/net interest expense(3)	13.7	7.9	10.1	13.3	15.9
Free cash flow(4)	1,357	2,004	1,142	-1,985	662
ROE(5)	12.3%	4.9%	13.1%	13.6%	15.0%
Operating ROCE(6)	10.3%	6.0%	10.0%	-	-
PER-SHARE DATA *(in €)*					
Net assets per share(7)	83.9	70.8	74.1	67.8	62.7
Basic earnings per share	10.31	3.52	9.69	9.30	9.39
Diluted earnings per share	10.24	3.51	9.66	9.25	9.34
Price-earnings ratio(8)	14.0	29.8	11.3	9.3	12.7
Dividend for the year(9)	4.50	2.30	2.00	3.70	3.55
Payout ratio(10)	42.0%	47.0%	19.5%	36.4%	36.0%
Yield(11)	3.1%	2.2%	1.8%	4.3%	3.0%

* *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) *Operating ROCE: based on the method in use since 2021 as explained in 5.1.6. Full-year 2019 and 2020 ROCE has been remeasured using this method.*

(7) *Net assets per share: net assets/number of shares outstanding at the end of the period.*

(8) *Price-earnings ratio: share price at the end of the period/basic earnings per share.*

(9) *Subject to approval by the Annual Shareholders Meeting of May 13, 2022.*

(10) *Payout ratio: Dividend/net income excluding non-recurring items (adjusted with respect to the nominal tax rate).*

(11) *Yield: dividend per share/share price at December 31.*

5.2 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

5.2.1 CONSOLIDATED STATEMENT – YEAR ENDED DECEMBER 31, 2021

CONSOLIDATED INCOME STATEMENT

(in € millions, except per share data)	Note	2021	2020(1)
Sales	5	23,795	20,469
Cost of sales		(16,810)	(14,754)
Gross income		**6,985**	**5,715**
Sales and marketing expenses		(1,133)	(1,070)
Research and development expenses		(682)	(646)
General and administrative expenses		(2,137)	(1,994)
Segment other income and expenses	8	(67)	(127)
Segment operating income	**5**	**2,966**	**1,878**
Other operating income and expenses	9	(189)	(475)
Operating income		**2,777**	**1,403**
Cost of net debt	10	(192)	(242)
Other financial income and expenses	10	(4)	(14)
Net interest on employee benefit obligations	27.1	(41)	(56)
Share of profit/(loss) from equity-accounted companies	17	(69)	(112)
Income before taxes		**2,471**	**979**
Income tax	11	(626)	(354)
NET INCOME		**1,845**	**625**
▶ Attributable to the shareholders of the Company		1,844	632
▶ Attributable to the non-controlling interests		1	(7)
EARNINGS PER SHARE *(in €)*	**12**		
▶ Basic		10.31	3.52
▶ Diluted		10.24	3.51

(1) The 2020 figures have been adjusted for comparison purposes (see note 2.8 to the consolidated financial statements).

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	Note	2021	2020
Net income		**1,845**	**625**
Post-employment benefits	27.1	351	145
Tax effect – Post-employment benefits	18	(83)	(33)
Equity instruments at fair value through OCI – changes in fair value	15.1	31	28
Tax effect – equity instruments at fair value through OCI	18	(7)	(7)
Other comprehensive income that will not be reclassified to the income statement		***292***	***133***
Cash flow hedges – changes in fair value		(10)	16
Currency translation differences		616	(976)
Other		(9)	(2)
Other comprehensive income/(loss) that may be reclassified to the income statement		***597***	***(962)***
Other comprehensive income/(loss)		**889**	**(829)**
TOTAL COMPREHENSIVE INCOME/(LOSS)		**2,734**	**(204)**
▶ Attributable to the shareholders of the Company		2,734	(198)
▶ Attributable to the non-controlling interests		-	(6)

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in € millions)	Note	December 31, 2021	December 31, 2020
Goodwill	13	2,286	2,136
Intangible assets	13	1,811	1,980
Property, plant and equipment (PP&E)	14.1	11,231	10,821
Right-of-use assets	14.2	1,034	1,083
Non-current financial assets and other non-current assets	15	1,404	865
Investments in equity-accounted companies	17	1,103	941
Deferred tax assets	18	751	729
Non-current assets		**19,620**	**18,555**
Inventories	19	5,272	3,959
Trade receivables	20	3,576	3,018
Current financial assets	21	713	429
Other current assets	22	1,038	929
Cash and cash equivalents	23	4,482	4,747
Current assets		**15,081**	**13,082**
TOTAL ASSETS		**34,701**	**31,637**
Share capital	24	357	357
Share premiums	24	2,746	2,746
Reserves	25	11,871	9,530
Non-controlling interests		(3)	(2)
Total equity		**14,971**	**12,631**
Non-current financial liabilities	26	5,360	6,169
Non-current lease liabilities	26	731	801
Provisions for employee benefit obligations	27.1	3,362	3,700
Provisions and other non-current liabilities	29	759	775
Deferred tax liabilities	18	503	425
Non-current liabilities		**10,715**	**11,870**
Current financial liabilities	26	1,682	1,546
Current lease liabilities	26	229	222
Trade payables		3,174	2,291
Trade payables under reverse factoring agreements	3.26	613	437
Provisions and other current liabilities	30	3,317	2,640
Current liabilities		**9,015**	**7,136**
TOTAL EQUITY AND LIABILITIES		**34,701**	**31,637**

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 premium** (note 24)	**Reserves** (note 25)	**Non-controlling interests**	**Total equity**
At January 1, 2020	**357**	**2,789**	**10,080**	**3**	**13,229**
Net income/(loss)	-	-	632	(7)	625
Other comprehensive income/(loss)	-	-	(830)	1	(829)
Total comprehensive income/(loss)	**-**	**-**	**(198)**	**(6)**	**(204)**
Issuance of shares	1	54	-	-	55
Share buybacks	-	-	(99)	-	(99)
Cancellation of shares	(2)	(97)	99	-	-
Sales of treasury shares	-	-	-	-	-
Dividends and other appropriations	-	-	(368)	-	(368)
Share-based payments – current service cost	-	-	14	-	14
Other	1	-	2	1	4
At December 31, 2020	**357**	**2,746**	**9,530**	**(2)**	**12,631**
Net income/(loss)	-	-	1,844	1	1,845
Other comprehensive income/(loss)	-	-	890	(1)	889
Total comprehensive income/(loss)	**-**	**-**	**2,734**	**-**	**2,734**
Issuance of shares	-	-	-	-	-
Share buybacks	-	-	(1)	-	(1)
Cancellation of shares	-	-	-	-	-
Sales of treasury shares	-	-	1	-	1
Dividends and other appropriations	-	-	(414)	(1)	(415)
Share-based payments – current service cost	-	-	21	-	21
Other	-	-	-	-	-
AT DECEMBER 31, 2021	**357**	**2,746**	**11,871**	**(3)**	**14,971**

Notes 1 to 37 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Note	2021	2020
Net income		1,845	625
Adjustments			
▶ Cost of net debt	10	192	242
▶ Other financial income and expenses	10	4	14
▶ Net interest on employee benefit obligations	27.1	41	56
▶ Income tax	11	626	354
▶ Amortization, depreciation and impairment of intangible assets and PP&E	6	1,734	1,753
▶ Other operating income and expenses	9	189	475
▶ Share of profit from equity-accounted companies	17	69	112
Segment EBITDA	**3.7.2**	**4,700**	**3,631**
Other operating income and expenses (cash) and change in provisions	31	(201)	(385)
Interest and other financial income and expenses received and paid, net	31	(207)	(265)
Income tax paid	18.2	(562)	(315)
Change in working capital, net of impairment	31	(824)	700
Net cash from operating activities		**2,906**	**3,366**
Purchases of intangible assets and PP&E	31	(1,479)	(1,369)
Proceeds from sales of intangible assets and PP&E		38	46
Equity investments in consolidated companies, net of cash acquired		(82)	(75)
Disposals of equity investments in consolidated companies, net of cash sold		(3)	5
Purchases of equity instruments at fair value		(25)	(15)
Disposals of equity instruments at fair value		3	45
Cash flows relating to other financial assets	31	(203)	(25)
Net cash from/(used in) investing activities		**(1,751)**	**(1,388)**
Proceeds from issuance of shares	24	-	55
Dividends paid to the shareholders of the Company	24	(410)	(357)
Cash flows relating to financial liabilities	31	(1,043)	1,784
Share buybacks	24	-	(99)
Other		20	(39)
Net cash from/(used in) financing activities		**(1,433)**	**1,344**
Effect of changes in exchange rates		**13**	**(41)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(265)**	**3,281**
Cash and cash equivalents at January 1		**4,747**	**1,466**
Cash and cash equivalents at December 31	**23**	**4,482**	**4,747**

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- and vehicle-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 11, 2022.

Except as otherwise stated, all amounts are presented in millions of euros (in € 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 2.8 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, 2021 in the European Union

The following amendments to IFRSs applied from January 1, 2021 have no material impact on the consolidated financial statements:

IFRIC clarification on IAS 19

The IFRIC has clarified the interpretation of IAS 19 in the case of plans that require beneficiaries to be on the company's payroll at the time of retirement and for which the number of qualifying years of service is capped.

Previously, benefit was attributed over the entire period of service, from the time when the employee first joined the company up to the date of retirement, based on a projected benefit obligation on the retirement date. From now on, it will be attributed over the last years of service taken into account to determine the qualifying period.

The impact on the Group of first-time application of this interpretation is not material.

Amendments to IAS 39 – IFRS 4 – IFRS 7 – IFRS 9 – IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

The Phase 2 amendments address issues that might affect financial reporting as a result of interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).

No hedging relationships have been identified by the Group that are affected by the replacement of an interest rate benchmark. The impact of applying new interest rates to leases, loans, borrowings and derivative instruments is not material.

Amendment to IFRS 16 – Covid-19 Related Rent Concessions Beyond June 30, 2021

This new amendment, adopted by the European Union on August 30, 2021, extends the provisions of the original amendment concerning Covid-19-related rent concessions by one year to June 30, 2022. The concession may consist of rent relief or a reduction in the rent originally due. 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.

This amendment had no material impact on the Group's consolidated financial statements.

IFRIC decision on the cost of implementing SaaS arrangements

The IFRS IC has clarified how configuration and customization costs should be accounted for in a Software as a Service (SaaS) arrangement in which the entity only has a right to receive access to the software and does not control said software. The interpretation specifies that if the software concerned is not a resource controlled by the entity, then the configuration and customization activities do not themselves create a resource controlled by the entity. Consequently, they do not lead to the recognition of an intangible asset and should be accounted for as an expense.

The decision also specifies that the fee should be recognized over the term of the right-of-access contract when (i) the software configuration and customization work is performed by the software hosting service provider or by a third-party provider acting as a subcontractor of the hosting service provider, and (ii) this work constitutes a separate service (by analogy with IFRS 15) from the software access service. In all other cases, the fee should be recognized immediately as an expense when the configuration and customization work is performed.

The Group has reviewed substantially all of its SaaS contracts; in most cases, these contracts have not involved any configuration or customization work. Consequently, the IFRS IC's decision does not have a material impact on the Group's consolidated financial statements.

2.4 New standards, amendments to existing standards and interpretations effective from January 1, 2022 in the European Union that have not been early-adopted by the Group

The following amendments to IFRSs which were not applicable at December 31, 2021 are not expected to have a material impact on the Group at their application date.

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 asset is being prepared for its intended use (for example, during the testing phase). Instead, the proceeds from selling such items must be recognized in profit or loss.

Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts, Cost of Fulfilling a Contract

The amendment specifies the costs to be taken into account when assessing whether a contract will be loss-making.

Amendment to IFRS 3 – Update of the Conceptual Framework

This amendment updates a reference in IFRS 3 to the latest Conceptual Framework without changing the accounting requirements for business combinations.

Annual Improvements to IFRSs – 2018-2020 Cycle

Minor amendments have been made to IFRS 9, IAS 41, IFRS 16 and IFRS 1.

2.5 Standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union

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, 2021:

Amendment 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.

Amendment to IAS 1 – Disclosure of Accounting Policies

This amendment requires entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements.

The amendment is effective for annual periods beginning on or after January 1, 2023.

Amendment to IAS 8 – Definition of Accounting Estimates

This amendment is designed to help entities distinguish between changes in accounting policies and changes in accounting estimates by introducing a new definition of accounting estimates. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendment is effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments narrow the scope of the initial recognition exemption by excluding transactions for which companies recognize both an asset and a liability, such as leases and decommissioning obligations. In future, companies will be required to recognize deferred tax on these transactions.

The amendments will be effective for annual periods beginning on or after January 1, 2023 and will apply to qualifying transactions occurring as from the beginning of the earliest comparative period presented.

The impact on the consolidated financial statements of applying this amendment is currently being assessed.

IFRS 17 – Insurance Contracts – Recognition, Measurement and Presentation

The new standard, including the amendments issued in June 2020, will be effective for accounting periods beginning on or after January 1, 2023. It was adopted by the European Union on November 19, 2021 and will not have a material impact on the Group's consolidated financial statements.

There are no other new standards, updates or interpretations published but not yet effective whose impact could be material for the Group.

2.6 Climate risk

The consequences of the Group's 2030 energy transition goals announced in April 2021 have been taken into account for the preparation of the annual financial statements.

The Group has decided to stop using coal as an energy source by 2030. This decision has not had a material impact on the values attributed to the underlying plant and equipment. The number of sites still using coal is limited and the assets concerned are largely depreciated. The cost of replacing these assets is estimated at around €70 million. An electrification program concerning the presses used to vulcanize tires has been launched to optimize the Group's energy use. The sums to be invested in the program over the next five years are estimated at €80 million. Beyond that, the speed of press electrification will depend on the first phase's impact on energy performance. This capital expenditure has been taken into account in the cash flow forecasts used for assets impairment tests.

The long-term consequences of climate risk on future cash flows are difficult to predict. They could include, for example, the interruption of operations at plants exposed to natural disaster risks or price increases designed to pass on green taxes decided by governments to encourage the energy transition. They are taken into account in the analyses resulting from the Group's risk mapping. For CGUs or groups of CGUs to which goodwill is allocated, a simulated impairment test has been performed based on an extremely pessimistic scenario. The simulation consisted of determining projected future cash flows over a period of just twenty years and setting the projected growth rate to zero beyond the fifth year. On this basis, an impairment loss of approximately €180 million would be recognized.

The Group is subject to the European Union's rules on the management of CO_2 emission allowances. The Group purchases allowances on the market based on its forecast needs for the next two to three years. The accounting treatment of emission allowances is described in note 3.15.1 and the balance sheet amounts at December 31, 2021 are disclosed in note 13.2.4.

The interest rate on the Group's €2,500 million syndicated line of credit (see note 33.2.1) depends on its performance in relation to its environmental objectives (CO_2 emissions and industrial environmental performance indicator).

2.7 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.

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.

2.7.1 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 forecasts set out in the Group's five-year business plan. The forecasts are prepared by the Business Departments and Business Lines based on the strategic objectives validated by the Group Executive Committee. 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 (see in particular the comments in note 2.6 concerning the recognition of climate risk).

Quantitative information is provided in note 13.1 "Goodwill".

2.7.2 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.

Discount rates are determined with the assistance of independent actuaries based on the same maturities 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".

2.7.3 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 carryforwards 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".

2.7.4 Goodwill, intangible assets acquired in business combinations and their estimated remaining 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.

2.7.5 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.

2.8 Restatement of comparative financial information

The costs of the Euromaster distribution network's support functions have been reclassified from "Sales and marketing expenses" to "General and administrative expenses" in the consolidated income statement, in order to better reflect the specific nature of the distribution business.

For comparison purposes, an amount of €127 million has been reclassified from "Sales and marketing expenses" to "General and administrative expenses" in the consolidated income statement for 2020.

The effects of the restatement are presented in the table below:

(in € millions)	2020 as reported	Reclassifications	2020 restated
Sales	20,469	-	20,469
Cost of sales	(14,754)	-	(14,754)
Gross income	**5,715**	**-**	**5,715**
Sales and marketing expenses	(1,197)	127	(1,070)
Research and development expenses	(646)	-	(646)
General and administrative expenses	(1,867)	(127)	(1,994)
Segment other income and expenses	(127)	-	(127)
Segment operating income	**1,878**	**-**	**1,878**
Other operating income and expenses	(475)	-	(475)
Operating income	**1,403**	**-**	**1,403**
Cost of net debt	(242)	-	(242)
Other financial income and expenses	(14)	-	(14)
Net interest on employee benefit obligations	(56)	-	(56)
Share of profit/(loss) from equity-accounted companies	(112)		(112)
Income before taxes	**979**	**-**	**979**
Income tax	(354)	-	(354)
NET INCOME	**625**	**-**	**625**
▶ Attributable to the shareholders of the Company	632	-	632
▶ Attributable to the non-controlling interests	(7)	-	(7)
EARNINGS PER SHARE *(in €)*			
▶ Basic	3.52	-	3.52
▶ Diluted	3.51	-	3.51

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 a joint venture or associate equals or exceeds its interest in the investee, the Group recognizes its share of the investee's negative net worth and, where appropriate, the carrying amount of any loans to the joint venture or associate is reduced by the amount of that negative net worth.

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):	2021	2020	2021	2020
US dollar (USD)	1.132	1.228	1.184	1.141
Canadian dollar (CAD)	1.449	1.571	1.483	1.529
Mexican peso (MXN)	23.309	24.413	23.993	24.373
Brazilian real (BRL)	6.454	6.400	6.370	5.815
Pound sterling (GBP)	0.840	0.907	0.860	0.889
Chinese yuan (CNY)	7.206	8.020	7.636	7.873
Indian rupee (INR)	84.394	90.038	87.477	84.530
Thai baht (THB)	37.754	36.867	37.791	35.697

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 tire 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 facilities 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

3.15.1 CO_2 emission allowances

The Group participates in the European Union's Emissions Trading System. The emission allowances received or purchased are recognized as an intangible asset at their price on the transaction date. For emission allowances that are received rather than 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 grant date.

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.

Over the life of the contract, the interest expense increases the lease liability while the lease payments reduce it.

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. The Group chooses to use the irrevocable option to record fair value adjustments in other comprehensive income and 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 expectation 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 equity if the exercise of the option results in the delivery of a fixed amount of shares - the initial value of the option is not subsequently remeasured; or
- as a financial liability at fair value through profit or loss in cases where the conversion option does not meet the criteria for recognition in equity.

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 recognized 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

4.1 Operations in 2021

4.1.1 Solesis, Inc.

On May 28, 2021, Michelin and Altaris announced the signing of a partnership agreement whereby Altaris would become a shareholder of Solesis, a Michelin subsidiary specializing in biomaterials for the healthcare industry. The partnership agreement has three components:

- acquisition of a 51% stake in Solesis by Altaris;
- setup of a governance system that will enable the two Solesis shareholders to support the business' development and expansion;
- a research and development partnership between Michelin and Solesis to continue co-developing biopolymers focused on the intersection of polymer science and biology.

As a result of this agreement, the Solesis subsidiaries that were previously fully consolidated by Michelin have been accounted for by the equity method with effect from May 28, 2021.

The consideration received for the sale of 51% of Solesis' net assets, based on an enterprise value of $475 million, is presented as follows in the transaction date consolidated statement of financial position:

- 49% retained interest recognized under "Investments in equity-accounted companies" for an amount of €146 million. The fair value measurement of the assets acquired and liabilities assumed by the joint venture is currently in progress and will be completed within 12 months of the date of signature of the partnership agreement-; and
- preferred non-voting shares, considered in substance as a financial asset measured at fair value through profit or loss, presented under "Non-current financial assets and other non-current assets" for €229 million.

The €114 million gain realized on the disposal is presented under "Other operating income and expenses" for 2021 (note 9).

The transaction has had no effect on the Group's cash position as the cash contributed by Altaris has been retained in the accounts of the Solesis joint venture to fund its growth. For this reason, the transaction qualifies as a tax-exempt reorganization for taxes payable and under US tax rules. However, it led to the remeasurement of Solesis' carrying amount in the Group's financial statements, creating a taxable temporary difference. The corresponding deferred tax liability recognized by the Group at December 31, 2021 amounted to €78 million.

The effects of the transaction on the transaction-date consolidated statement of financial position are as follows:

(in € millions)	**At the transaction date**
Investments in equity-accounted companies	146
Other non-current financial assets and other non-current assets	229
Net assets sold	(261)
DISPOSAL GAIN	**114**

Details of the net assets sold are presented in the table below:

(in € millions)	**Net assets sold**
Goodwill	(53)
Intangible assets	(200)
Property, plant and equipment	(42)
Non-current assets	**(295)**
Inventories	(11)
Trade receivables	(14)
Cash and cash equivalents	(1)
Current assets	**(26)**
TOTAL ASSETS	**(321)**
Net assets	**(261)**
Non-current financial liabilities	-
Non-current lease liabilities	(3)
Deferred tax liabilities	(48)
Non-current liabilities	**(51)**
Trade payables	(3)
Provisions and other current liabilities	(6)
Current liabilities	**(9)**
TOTAL EQUITY AND LIABILITIES	**(321)**

Additional information about the financial position of Solesis is provided in note 17.3.

4.1.2 Allopneus

On July 30, 2021, the Group signed an agreement to acquire an additional 60% of Allopneus in order to acquire exclusive control of the company. Allopneus is an online distributor of tires, rims and accessories to both retail and trade customers.

After obtaining antitrust clearance, the transaction was completed on December 30, 2021.

The net cash outflow generated by the acquisition of 60% of Allopneus shares in 2021 was as follows:

(in € millions)	**At acquisition date**
Fair value of consideration transferred	(47)
Net cash acquired	3
NET CASH OUTFLOW FROM THE ACQUISITION	**(44)**

Identification and measurement at their acquisition-date fair value of the identifiable assets acquired and liabilities assumed will begin in the first half of 2022 and will be completed within 12 months from the acquisition date, i.e., no later than December 30, 2022.

The price paid for the acquired 60% interest valued the company's previously held 40% interest at €31 million. Remeasurement of the 40% interest on this basis led to the recognition of a €13 million capital gain, recorded in the line "Share of profit/(loss) from equity-accounted entities".

01
02
03
04
05
06
07
08

The provisional purchase price allocation resulted in the recognition of goodwill in the amount of €65 million at December 31, 2021, as shown in the following table:

(in € millions)	At the acquisition date
Investment in an associate at market value (40%)	31
Fair value of consideration transferred (60%)	47
Less: consolidated net assets (100%)	(13)
PROVISIONAL GOODWILL	**65**

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.

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.

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:

	2021				2020			
(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	11,998	6,233	5,564	**23,795**	10,103	5,373	4,993	**20,469**
Segment operating income	1,643	599	724	**2,966**	839	302	737	**1,878**
As a percentage of sales	*13.7%*	*9.6%*	*13.0%*	***12.5%***	*8.3%*	5.6%	14.8%	***9.2%***
SEGMENT ASSETS								
Goodwill, PP&E, intangible assets and right-of-use assets	7,625	3,636	5,101	**16,362**	7,294	3,680	5,046	**16,020**
Finished product inventories	1,408	948	837	**3,193**	1,042	752	688	**2,482**
Trade receivables	1,605	1,130	841	**3,576**	1,359	984	675	**3,018**
Segment assets	**10,638**	**5,714**	**6,779**	**23,131**	**9,695**	**5,416**	**6,409**	**21,520**
Other information								
Capital expenditure	889	429	387	**1,705**	628	339	254	**1,221**

The Group derives 95.6% of its revenue (2020: 95.3%) from tire sales and sales related to the supply of tires to the original equipment or replacement market, plus sales of Fenner conveyor belts. These sales totaled €22,744 million in 2021 (2020: €19,497 million). Sales are recognized at the exact point in time when control of the goods is transferred to the customer.

Revenue 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, was recognized in an amount of €621 million in 2021 (2020: €560 million), representing 2.6% of total sales (2020: 2.7%).

Segment reporting assets are reconciled to total Group assets as follows:

(in € millions)	December 31, 2021	December 31, 2020
Total segment assets	**23,131**	**21,520**
Non-current financial assets and other non-current assets	1,404	865
Investments in equity-accounted companies	1,103	941
Deferred tax assets	751	729
Other net inventories (raw materials and supplies, work in progress)	2,079	1,477
Current financial assets	713	429
Other current assets	1,038	929
Cash and cash equivalents	4,482	4,747
TOTAL GROUP ASSETS	**34,701**	**31,637**

Information by region breaks down as follows:

	2021				2020			
(in € millions)	Europe	North America	Other	Total	Europe	North America	Other	Total
Sales	9,014	8,389	6,392	**23,795**	7,640	7,102	5,727	**20,469**
Goodwill, PP&E, intangible assets and right-of-use assets	6,723	5,042	4,597	**16,362**	6,572	4,997	4,451	**16,020**
Capital expenditure	875	464	366	**1,705**	561	284	376	**1,221**

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 €2,066 million in 2021 (2020: €1,762 million). Goodwill, intangible assets and PP&E located in France amounted to €2,545 million in 2021 (2020: €2,418 million).

Approximately 80% of North American sales were generated in the United States in 2020 and 2021.

No single external customer accounted for 10% or more of the Group's sales in 2021 and 2020.

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)	2021	2020
Raw materials and consumables used and changes in finished product inventories	(8,212)	(6,923)
Employee benefit costs	(6,430)	(5,970)
Transportation of goods	(1,685)	(1,095)
Depreciation and amortization(1)	(1,734)	(1,753)
Other expenses	(2,768)	(2,850)
EXPENSES BY NATURE	**(20,829)**	**(18,591)**

(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)	2021	2020
Wages and salaries	(5,140)	(4,743)
Payroll taxes	(957)	(893)
Defined benefit plan costs (note 27.1)	(109)	(129)
Defined contribution plan costs (note 27.2)	(218)	(217)
Share-based payments – current service cost (note 25)	(21)	(14)
EMPLOYEE BENEFIT COSTS(1)	**(6,445)**	**(5,996)**

(1) Of which €6,430 million is recognized in "Segment operating income" (note 6) and €15 million in "Other operating income and expenses" (note 9).

The average number of employees on payroll in 2021 was 124,037 (2020: 124,533).

NOTE 8 SEGMENT OTHER INCOME AND EXPENSES

Segment other income and expenses are recognized in the income statement as follows:

(in € millions)	2021	2020
Employee share ownership plan cost	-	(14)
Share-based payments – current service cost (note 28.2)	(21)	(17)
Covid-19 health and safety costs	(26)	(96)
Other operating income/(expenses)	(20)	-
SEGMENT OTHER INCOME AND EXPENSES	**(67)**	**(127)**

NOTE 9 OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses are detailed in the table below:

(in € millions)	2021	2020
Amortization of acquired trademarks and customer relationships (note 9.1)	(78)	(87)
Reorganization and adaptation of activities (note 9.2)	(86)	(59)
Impairment of non-current assets (note 9.3)	(116)	(285)
Employee benefit obligations (note 9.4)	(15)	(26)
Other (note 9.5)	106	(18)
OTHER OPERATING INCOME AND EXPENSES	**(189)**	**(475)**

9.1 Amortization of acquired trademarks and customer relationships

Amortization of intangible assets recognized in the course of a business combination amounts to €78 million in 2021 (2020: €87 million):

- €25 million related to amortization of brands or trademarks (2020: €26 million);
- €53 million to amortization of customer relationships (2020: €61 million).

9.2 Reorganizations and adaptation of activities

9.2.1 Year ended December 31, 2021

As part of the initiatives to improve the competitiveness of its manufacturing and office-based activities, on January 6, 2021 the Group announced the launch of a reinforced simplification and competitiveness plan to significantly improve the agility and overall performance of its operations in France. Pursuant to the framework agreement, a mutually agreed severance package (Collective Settlement Agreement or "RCC") will be negotiated in three phases between 2021 and 2023 to implement voluntary early retirement and voluntary outplacement measures.

The first phase signed in June led to the recognition of an €89 million provision for the implementation of support measures (note 29), and reversal of the €86 million provision for pension and other defined benefit obligations recognized in prior periods for the employees concerned (notes 27.1.1 and 27.1.2).

A provision of €100 million has been recognized for the implementation of support measures in the second phase (note 29) and an €82 million provision for pension and other defined benefit obligations has been reversed (notes 27.1.1 and 27.1.2).

The net expense covered by provisions booked in 2021 for the first two phases of the RCC agreement amounts to €21 million.

The balance is explained by various provisions set aside to further improve the Group's industrial and service competitiveness in a number of countries, including Germany and Italy.

9.2.2 Year ended December 31, 2020

Reorganization expense of €59 million recorded during the year included the cost of reorganization plans that were individually not material and adjustments to existing provisions.

9.3 Impairment of non-current assets

9.3.1 Year ended December 31, 2021

This amount includes impairment losses:

- on property, plant and equipment and right-of-use assets for €75 million (of which €63 million on plant and equipment); and
- on intangible assets for €41 million.

9.3.2 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 had 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.

9.4 Employee benefit obligations

No material events occurred in 2021 or 2020.

9.5 Other

9.5.1 Year ended December 31, 2021

The gain resulting from the sale of part of Solesis (note 4.1.1) is recognized under "Other" for €114 million.

9.5.2 Year ended December 31, 2020

No material events occurred in 2020.

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)	**2021**	**2020**
Interest expense	(176)	(199)
Interest expense on lease liabilities	(30)	(38)
Interest income	(11)	-
Interest rate derivatives	32	(7)
Fees on credit lines	(9)	(5)
Capitalized borrowing costs	2	7
COST OF NET DEBT	**(192)**	**(242)**
Net income from financial assets (other than cash and cash equivalents and cash management financial assets)	7	18
Currency remeasurement (including currency derivatives)	(13)	(19)
Other	2	(13)
OTHER FINANCIAL INCOME AND EXPENSES	**(4)**	**(14)**

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 increase in fair value during the year amounted to €32 million (2020: decrease of €7 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. This ineffectiveness is not material.

NOTE 11 INCOME TAX

11.1 Income tax expense

(in € millions)	**2021**	**2020**
Current tax expense (note 18.2)	(629)	(351)
Deferred tax benefit/(expense) (note 18.1)	3	(3)
INCOME TAX	**(626)**	**(354)**

Current tax includes €15 million of withholding tax on royalties and on retained earnings distributed between Group companies (2020: €37 million).

The Group's tax proof is presented in the table below:

(in € millions)	**2021**	**2020**
Income before taxes	**2,471**	**979**
Tax calculated using domestic tax rates applicable to income in the respective countries	(537)	(229)
Tax effect of:		
▶ untaxed transactions	(1)	(24)
▶ deferred tax assets not recognized during the period	(26)	(115)
▶ net change in unrecognized deferred tax assets	46	41
▶ changes in tax rates	3	14
▶ taxes with no tax base (tax credits, withholding tax, etc.)	(33)	(34)
▶ other items	(78)	(7)
INCOME TAX	**(626)**	**(354)**

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 is mainly due to the deferred tax recognized on the Solesis transaction for €78 million, which is included in "Other items". Other differences concern unrecognized deferred tax assets, withholding taxes, tax credits and other taxes not assessed on income.

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.

11.2 Tax audits 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.

On July 17, 2018, a procedure was initiated with the tax authorities to suspend payment of the tax deficiency and late interest ; 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.

In 2021, while maintening its appeal concerning the 2005-2009 reassessments, the Group decided to settle the tax claimed on the revised €96 million reassessment in order to avoid the accrual of further late interest.

In addition, a second tax audit covering the years 2010 to 2014 began in 2016.

In 2021, an agreement was reached with the German tax authorities on the main proposed reassessments. The Group has accepted a €31 million reassessment of the tax base for the period 2005 to 2009 and a €58 million reassessment of the tax base for the period 2010 to 2014. The reassessments are covered by a provision at December 31, 2021.

However, the German subsidiary continues to challenge certain reassessments proposed by the local tax authorities that do not relate to transfer pricing policy. The tax base reassessments in these cases amount to €45 million in tax base and are covered by a provision at December 31, 2021.

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, 2021, the Company had only one type of dilutive potential shares: performance shares (note 28.2 "Performance share plans"). The last stock option plan expired on June 30, 2021, and no stock options were outstanding at the end of 2021.

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 2021 reporting period.

	2021	2020
Net income *(in € millions)*, excluding non-controlling interests	1,844	632
▶ Less, estimated General Partners' profit shares	(5)	(4)
Net income attributable to the shareholders of the Company used to calculate basic earnings per share	**1,839**	**628**
Weighted average number of shares outstanding *(thousands of shares)* **used to calculate basic earnings per share**	**178,362**	**178,310**
▶ Plus, adjustment for stock option plans	-	12
▶ Plus, adjustment for performance shares	1,218	848
Weighted average number of shares used to calculate diluted earnings per share	**179,580**	**179,170**
EARNINGS PER SHARE *(in €)*		
▶ Basic	10.31	3.52
▶ Diluted	10.24	3.51

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, 2020	**2,448**	**4,097**	**6,545**
Translation adjustments	(242)	(201)	(443)
Additions (including new emission allowances: €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**
Translation adjustments	126	153	279
Additions (including new emission allowances: €30 million)	-	240	240
Disposals	-	(58)	(58)
Change in scope of consolidation	42	(236)	(194)
Transfers and other	-	8	8
Gross carrying amounts at December 31, 2021	**2,393**	**4,125**	**6,518**
Amortization and impairment at January 1, 2020	**(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)**
Translation adjustments	(5)	(51)	(56)
Amortization	-	(268)	(268)
Net impairment	(14)	(27)	(41)
Disposals	-	36	36
Change in scope of consolidation	-	36	36
Transfers and other	1	(2)	(1)
Amortization and impairment at December 31, 2021	**(107)**	**(2,314)**	**(2,421)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2021	**2,286**	**1,811**	**4,097**
Net carrying amounts at December 31, 2020	2,136	1,980	4,116

13.1 Goodwill

At December 31, 2021, goodwill allocated to the CGUs or groups of CGUs is as follows:

(in € millions)	December 31, 2021	December 31, 2020
Passenger car tires – global brands CGU group	367	358
Passenger car tires – regional brands CGU	162	150
Light truck and Truck tires CGU group	587	573
Mining CGU group	260	241
Two-wheel tires CGU	18	18
Off-the-road tires CGU	690	637
High-Tech Materials CGU group	137	159
Allopneus (note 4.1.2)	65	-
GOODWILL	**2,286**	**2,136**

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). 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 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. The slight increase in interest rates being compensated by the volatility in market premiums over the period, the weighted average costs of capital (WACC) used for the tests at December 31, 2021 were stable compared with December 31, 2020.

After-tax discount rates and perpetual growth rates used in 2021 for terminal value calculations are presented in the table below:

(%)	WACC	Perpetual growth rate
Passenger car tires – global brands CGU group	7.8	1.5
Passenger car tires – regional brands CGU	7.6	1.4
Light truck and Truck tires CGU group	8.0	1.1
Mining CGU group	9.6	1.5
Two-wheel tires CGU	7.9	1.4
Off-the-road tires CGU	7.6	1.8
High-Tech Materials CGU group	8.6	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 impairment.

Projected future cash flows used for impairment testing of fixed assets include best estimates of investments to be made to fulfill the Group's 2030 energy transition ambitions (see note 2.6 Climate risk).

To take into account the effect of applying 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 2021, additions to intangible assets, amounted to €240 million (2020: €200 million), breaking down as follows:

- software: €192 million;
- CO_2 emission allowances: €30 million;
- other: €18 million.

13.2.1 Software

The net carrying amount of software at December 31, 2021 was €671 million (2020: €645 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, 2021, the net carrying amount of brands and trademarks in the consolidated statement of financial position was €324 million (2020: €363 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, 2021, the net carrying amount of customer relationships in the consolidated statement of financial position was €680 million (2020: €826 million). These amounts correspond primarily to the value of customer lists recognized in connection with business combinations (mainly Fenner and Camso). The sharp decrease for the year is mainly due to the Solesis transaction (note 4.1.1).

13.2.4 CO_2 emission allowances

Emission allowances at December 31, 2021 totaled 2.3 million tons (2020: 2.7 million tons) and were carried in the consolidated statement of financial position for an amount of €59 million (2020: €44 million). The liability corresponding to actual emissions in 2021 amounts to 0.7 million tons (2020: 0.7 million tons) representing a value of €22 million (2020: €13 million). It will be offset by the delivery of the acquired allowances.

13.2.5 Development costs

In 2020 and 2021, 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, 2020	**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**
Translation adjustments	211	737	41	989
Acquisitions	263	1,148	83	1,494
Disposals	(70)	(678)	(48)	(796)
Change in scope of consolidation	(29)	(12)	-	(41)
Transfers and other	(14)	7	(5)	(12)
Gross carrying amounts at December 31, 2021	**7,067**	**21,439**	**1,537**	**30,043**
Depreciation and impairment at January 1, 2020	**(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)**
Translation adjustments	(95)	(476)	(31)	(602)
Depreciation	(190)	(1,040)	(79)	(1,309)
Net impairment	(8)	(63)	(3)	(74)
Disposals	50	658	44	752
Change in scope of consolidation	2	4	-	6
Transfers and other	(22)	27	(2)	3
Depreciation and impairment at December 31, 2021	**(3,407)**	**(14,298)**	**(1,107)**	**(18,812)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2021	**3,660**	**7,141**	**430**	**11,231**
Net carrying amounts at December 31, 2020	**3,562**	**6,829**	**430**	**10,821**

PP&E in progress amount to €1,611 million (2020: €1,328 million).

Accumulated impairment losses included in total "Depreciation and impairment" at December 31, 2021 amount to €465 million (2020: €449 million).

Borrowing costs capitalized in 2021 in PP&E amounted to €2 million (2020: €7 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, 2020	**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**
Translation adjustments	50	5	10	65
New leases	116	20	31	167
Disposals	(32)	(11)	(17)	(60)
Change in scope of consolidation	(4)	1	-	(3)
Transfers and other	(21)	(2)	(3)	(26)
Gross carrying amounts at December 31, 2021	**1,286**	**132**	**295**	**1,713**
Depreciation and impairment at January 1, 2020	**(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)**
Translation adjustments	(15)	(2)	(3)	(20)
Depreciation	(151)	(39)	(45)	(235)
Net impairment	(1)	-	-	(1)
Disposals	32	11	17	60
Change in scope of consolidation	-	-	-	-
Transfers and other	(5)	9	-	4
Depreciation and impairment at December 31, 2021	**(484)**	**(61)**	**(134)**	**(679)**
NET CARRYING AMOUNTS AT DECEMBER 31, 2021	**802**	**71**	**161**	**1,034**
Net carrying amounts at December 31, 2020	**833**	**79**	**171**	**1,083**

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 €28 million in 2021 (2020: €33 million);
- leases of low-value assets, representing an expense of €42 million for the year (2020: €40 million);
- variable lease payments not taken into account to determine the lease liability, representing an expense of €16 million (2020: €16 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, 2021	December 31, 2020
Equity investments (note 15.1)	279	229
Loans and deposits (note 15.2)	387	294
Solesis preferred shares	247	-
Derivative instruments (note 16.1)	125	101
Pension plan surpluses (note 27.1)	332	211
Other	34	30
NON-CURRENT FINANCIAL ASSETS AND OTHER NON-CURRENT ASSETS	**1,404**	**865**

15.1 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)	2021	2020
At January 1	**229**	**237**
Translation adjustments	6	(5)
Acquisitions	25	14
Disposals	(2)	(45)
Change in scope of consolidation	(10)	-
Fair value changes	31	28
AT DECEMBER 31	**279**	**229**

15.2 Loans and deposits

The carrying amount of loans and deposits is analyzed in the table below:

(in € millions)	December 31, 2021	December 31, 2020
Gross loans and deposits	434	335
Impairment	(47)	(41)
TOTAL	**387**	**294**

Loans and deposits mainly comprise loans to companies accounted for by the equity method and various loans to customers and employees.

The €93 million net increase in loans and deposits reflects:

- the €184 million (£158 million) deposited in an escrow account to fund pension obligations in the United Kingdom (note 27.1.1). This amount is pledged to the pension plans and is therefore not freely available to the Group;
- partly offset by a partial early repayment of $100 million (€88 million) received on the loan to TBC. This loan was made at the inception of the joint venture for an initial amount of $200 million. Michelin's partner in the joint venture made an equivalent loan.

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 as assets

(in € millions)	December 31, 2021	December 31, 2020
Derivatives qualifying as fair value hedges	-	-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	83	45
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	16	38
▶ Interest-rate derivatives	2	-
▶ Other derivatives[(1)]	24	18
Non-current derivative instruments (note 15)	**125**	**101**
Derivatives qualifying as fair value hedges	-	-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	49	2
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	21	49
▶ Interest-rate derivatives	-	-
▶ Other derivatives[(1)]	27	1
Current derivative instruments (note 21)	**97**	**52**
TOTAL ASSETS	**222**	**153**

(1) Corresponds primarily to the 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, 2021 amounted to €74 million (2020: €22 million).

16.2 Derivatives recognized in liabilities

(in € millions)	December 31, 2021	December 31, 2020
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	56	23
▶ Interest-rate derivatives	3	5
▶ Other derivatives(1)	24	18
Non-current derivative instruments (note 26)	**83**	**67**
Derivatives qualifying as fair value hedges	-	-
Derivatives qualifying as cash flow hedges		
▶ Currency derivatives	26	1
▶ Interest-rate derivatives	-	-
▶ Other derivatives	-	-
Derivatives not qualifying for hedge accounting		
▶ Currency derivatives	49	49
▶ Interest-rate derivatives	-	-
▶ Other derivatives(1)	27	-
Current derivative instruments (note 26)	**102**	**50**
TOTAL LIABILITIES	**185**	**117**

(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, 2021 amounted to €100 million (2020: €49 million).

16.3 Contractual amounts of derivatives

The contractual amounts of derivative instruments are presented in the table below:

	December 31, 2021			December 31, 2020		
(in € millions)	Current	Non-current	Total	Current	Non-current	Total
Currency derivatives	5,253	1,459	**6,712**	3,799	1,306	**5,105**
Interest rate derivatives	-	189	**189**	81	81	**162**
Other	1,054	1,060	**2,114**	-	1,954	**1,954**
Derivatives not qualifying for hedge accounting	**6,307**	**2,708**	**9,015**	**3,880**	**3,341**	**7,221**
Interest rate derivatives	-	-	**-**	-	-	**-**
Derivatives qualifying as fair value hedges	**-**	**-**	**-**	**-**	**-**	**-**
Currency derivatives	576	435	**1,011**	57	981	**1,038**
Interest rate derivatives	-	-	**-**	-	-	**-**
Other	11	2	**13**	4	1	**5**
Derivatives qualifying as cash flow hedges	**587**	**437**	**1,024**	**61**	**982**	**1,043**
TOTAL	**6,894**	**3,145**	**10,039**	**3,941**	**4,323**	**8,264**

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	107	11	96	Cost of net debt/Other financial income and expense
Commodity price risk – forward purchase contracts	13	-	(1)	1	Operating income
Interest rate swaps	-	-	(16)	(2)	Cost of net debt
Interest component of cross currency swaps	41	(1)	-	-	Cost of net debt
Forward foreign exchange contracts on forecast sales	18	-	1	(2)	Operating income
Hedges of currency risk on raw materials purchases	11	-	-	2	Operating income
Current and non-current hedging instruments	**1,024**	**106**	**(5)**	**95**	

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 €16 million and hedges of currency risk on dollar-denominated convertible bonds for €11 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, 2020	**166**	**921**	**1,087**
Share of profit/(loss) from equity-accounted companies	(12)	(61)	(73)
Impairment	(38)	-	(38)
Dividends	(2)	(4)	(6)
Changes in scope of consolidation/capital increases	2	28	30
Translation adjustments	(1)	(57)	(58)
Other	(5)	4	(1)
At December 31, 2020	**110**	**831**	**941**
Share of profit/(loss) from equity-accounted companies	12	(29)	(17)
Impairment	(8)	(58)	(66)
Dividends	(3)	(5)	(8)
Changes in scope of consolidation/capital increases	(16)	214	198
Translation adjustments	2	56	58
Other	-	(3)	(3)
AT DECEMBER 31, 2021	**97**	**1,006**	**1,103**

The main equity-accounted companies are TBC (note 17.2) and Solesis (note 17.3). All of the other companies represent non-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 that are now fully consolidated.

The effect of changes in the scope of consolidation is mainly due to the first-time application of the equity method to Solesis in the first half (note 4.1.1) and the full consolidation of Allopneus from December 30, 2021 (note 4.1.2).

During the year, the Group recognized an impairment loss of €57 million on investments in companies active in the cultivation and production of natural rubber in Asia. Negotiations are underway with the various stakeholders to resolve the liquidity problems faced by these companies. If the negotiations are unsuccessful, these companies may be unable to meet their debt repayment obligations to external lenders in the first quarter of 2022 ($175 million at December 31, 2021). The Group has no commitment to assume all or part of these debts in the event of default, nor has it signed any cross-default clauses.

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, 2021	December 31, 2020
Current assets	1,636	1,396
▸ *of which cash and cash equivalents*	*48*	*251*
Non-current assets	1,695	1,677
▸ *of which goodwill*	*133*	*127*
TOTAL ASSETS	**3,331**	**3,073**
Current liabilities	1,139	902
▸ *of which current financial liabilities*	*144*	*135*
Non-current liabilities	1,086	1,193
▸ *of which non-current financial liabilities*	*930*	*1,068*
Equity	1,106	978
TOTAL LIABILITIES AND EQUITY	**3,331**	**3,073**

(in € millions)	2021	2020 (1)
Sales	4,482	3,932
EBITDA	321	251
Interest income	(1)	2
Interest expense	(52)	(67)
Depreciation and amortization	(203)	(223)
Income tax	(22)	3
NET INCOME/(LOSS)	**43**	**(34)**

(1) In 2020, TBC's reporting deadline was aligned with the Group's standard reporting deadline. As a consequence, the "Share of profit/(loss) from equity-accounted companies" caption in the consolidated income statement for 2020 included 13 months of the Group's share in TBC's net income; the amount of the thirteenth month was not significant. For comparability purposes, the TBC figures for 2020 have been adjusted in the above chart to reflect a 12-months activity for both periods presented.

The equity-accounted share of TBC included in the Group's consolidated income statement (including elimination of downstream transactions) is a profit of €13 million (2020: loss of €13 million).

(in € millions)	December 31, 2021	December 31, 2020
Net assets (including goodwill)	**1,106**	**978**
Share of net assets (including goodwill)	553	489
Elimination of profit from downstream transactions (net of tax)	(31)	(19)
CARRYING AMOUNT OF NET INTEREST IN THE JOINT VENTURE	**522**	**470**

17.3 Joint venture with Altaris (Solesis)

Summarized financial data in respect of Solesis are set out in the table below:

(in € millions)	December 31, 2021
Current assets	286
▶ *of which cash and cash equivalents*	*253*
Non-current assets	400
▶ *of which provisional goodwill*	*351*
TOTAL ASSETS	**686**
Current liabilities	99
▶ *of which current financial liabilities*	*-*
Non-current liabilities	254
▶ *of which non-current financial liabilities*	*4*
▶ *of which preferred shares*	*250*
Equity	333
TOTAL LIABILITIES AND EQUITY	**686**

(in € millions)	2021 (7 months)
Sales	47
EBITDA	16
Interest expense	(3)
Depreciation and amortization	(6)
Income tax	-
NET INCOME	**7**

The equity-accounted share of Solesis included in the Group's consolidated income statement is a profit of € 3 million.

(in € millions)	December 31, 2021
Net assets (including goodwill)	**329**
CARRYING AMOUNT OF NET INTEREST IN THE JOINT VENTURE	**161**

17.4 Financial information about equity-accounted companies

The financial statements of equity-accounted companies other than TBC and Solesis, which are not material taken individually, include the following amounts (information presented on a 100% basis):

(in € millions)	2021	2020
Assets	2,970	2,277
Liabilities	2,061	1,488
Sales	3,142	3,045
Net income/(loss)	(3)	(150)

17.5 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)	2021	2020
INCOME STATEMENT		
Income for the sale of goods or supply of services	477	254
Expenses for the purchase of products or supply of services	(285)	(184)
STATEMENT OF FINANCIAL POSITION		
Financial liabilities	(5)	(6)
Trade payables	(25)	(7)
Financial assets	470	284
Accounts receivable	183	139

NOTE 18 TAXES

18.1 Deferred taxes

Deferred taxes in the consolidated statement of financial position are as follows:

(in € millions)	December 31, 2021	December 31, 2020
Deferred tax assets	751	729
Deferred tax liabilities	(503)	(425)
NET DEFERRED TAX ASSET	**248**	**304**

Deferred tax assets and liabilities at the end of the period, before netting, are as follows:

(in € millions)	December 31, 2021	December 31, 2020
Employee benefit obligations	510	604
Inventories	110	102
Financial instruments	(32)	55
Provisions	17	44
Unused tax losses	154	132
Unused tax credits	-	1
Goodwill and intangible assets	(235)	(274)
Property, plant and equipment	(472)	(543)
Other	196	183
NET DEFERRED TAX ASSET	**248**	**304**

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)	2021	2020
At January 1	**304**	**359**
Translation adjustments	(20)	1
Deferred tax benefit/(expense) (note 11)	3	(3)
Tax recognized in other comprehensive income	(87)	(40)
Changes in the scope of consolidation	49	(11)
Other	(1)	(2)
AT DECEMBER 31	**248**	**304**

In 2021 and 2020, the reductions in the net deferred tax asset were due mainly to the change in taxes recorded in other comprehensive income in respect of post-employment benefit obligations.

The effect of changes in the scope of consolidation in 2021 mainly concerned the sale of part of Solesis for €48 million. (note 4.1.1).

The deferred income tax recognized in other comprehensive income is as follows:

(in € millions)	December 31, 2021	December 31, 2020
Post-employment benefits	229	312
Unconsolidated equity investments and other financial instruments	(30)	(26)
TOTAL DEFERRED TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**199**	**286**

In 2021, 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, 2021	December 31, 2020
Deductible temporary differences	**89**	**139**
Tax losses:		
▶ of which expiring in less than one year	7	8
▶ of which expiring in one to five years	25	43
▶ of which expiring in more than five years	17	26
▶ of which evergreen	471	301
Total tax losses	**520**	**378**
Tax credits	**10**	**5**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS	**619**	**522**

Unrecognized deferred tax assets in the amount of €619 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)	2021	2020
Taxes receivable (note 22)	324	317
Taxes payable (note 30)	(186)	(145)
Net total at January 1	**138**	**172**
Current tax expense (note 11)	(629)	(351)
Income tax paid	562	315
Changes in the scope of consolidation	1	-
Translation adjustments and other	(6)	2
Total changes	**(72)**	**(34)**
Taxes receivable (note 22)	304	324
Taxes payable (note 30)	(238)	(186)
NET TOTAL AT DECEMBER 31	**66**	**138**

NOTE 19 INVENTORIES

Inventories include the following:

(in € millions)	December 31, 2021	December 31, 2020
Raw materials and supplies	1,481	1,066
Work in progress	644	438
Finished products	3,267	2,541
Total gross inventory	**5,392**	**4,045**
Impairment of raw materials and supplies	(44)	(26)
Impairment of work in progress	(2)	(1)
Impairment of finished products	(74)	(59)
Impairment	**(120)**	**(86)**
NET INVENTORY	**5,272**	**3,959**

Changes in impairment losses on inventory are as follows:

(in € millions)	2021	2020
At January 1	**(86)**	**(100)**
Translation adjustments and other	(25)	7
Change in scope of consolidation	1	(1)
Impairment of inventories recognized as an expense in the period	(30)	(36)
Impairment reversals	20	44
AT DECEMBER 31	**(120)**	**(86)**

NOTE 20 TRADE RECEIVABLES

The carrying amount of trade receivables is analyzed in the table below:

(in € millions)	December 31, 2021	December 31, 2020
Gross trade receivables	3,678	3,126
Impairment	(102)	(108)
TRADE RECEIVABLES	**3,576**	**3,018**

All trade receivables are due within 12 months.

The following table presents an aging analysis of trade receivables at December 31, 2021:

(in € millions)	Gross	Impairment	Net
Trade receivables not yet due	**3,352**	**(14)**	**3,338**
Overdue			
▸ by less than three months	185	(2)	183
▸ between three and six months	23	(2)	21
▸ by more than six months	118	(84)	34
Overdue trade receivables	**326**	**(88)**	**238**
TRADE RECEIVABLES	**3,678**	**(102)**	**3,576**

Movements in impairment are analyzed in the table below:

(in € millions)	2021	2020
At January 1	**(108)**	**(97)**
Translation adjustments and other	(1)	5
Change in scope of consolidation	-	1
Impairment of trade receivables recognized as an expense in the period	(32)	(51)
Impairment reversals	39	34
AT DECEMBER 31	**(102)**	**(108)**

Impairment provisions of €17 million were reversed during the period following the write-off of the underlying receivables (2020: €18 million).

NOTE 21 CURRENT FINANCIAL ASSETS

The carrying amount of current financial assets is analyzed in the table below:

(in € millions)	December 31, 2021	December 31, 2020
Loans and deposits	181	92
Cash management financial assets (note 26)	435	285
Derivative instruments (note 16.1)	97	52
CURRENT FINANCIAL ASSETS	**713**	**429**

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 €74 million (2020: €22 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, 2021	December 31, 2020
Prepayments to suppliers	141	99
Income tax receivable	304	324
Other taxes receivable	317	240
Other	280	271
Impairment	(4)	(5)
OTHER CURRENT ASSETS	**1,038**	**929**

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, 2021	December 31, 2020
Money-market funds	3,372	3,516
Bank deposits subject to up to a three-month notice period	784	962
Cash at bank and in hand	326	269
CASH AND CASH EQUIVALENTS	**4,482**	**4,747**

The average effective interest rate on cash and cash equivalents was -0.29% in 2021 (2020: -0.10%). Cash and cash equivalents are mainly held in euros (2021: 93%, 2020: 93%).

Cash and cash equivalents include restricted cash of €103 million whose use is governed by prudential insurance regulations in Ireland (2020: €81 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, 2020	**357**	**2,789**	**3,146**
Issuance of shares upon exercise of stock options 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**
Issuance of shares upon employee share plan and performance share rights	-	-	-
Cancellation of shares	-	-	-
Other	-	-	-
AT DECEMBER 31, 2021	**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, 2020	**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**
Issuance of shares upon exercise of stock options and performance share rights	190,364	-	190,364
Share buybacks	-	(8,032)	(8,032)
Sales of treasury shares	-	8,032	8,032
Cancellation of shares	-	-	-
Other	-	-	-
AT DECEMBER 31, 2021	**178,530,450**	**-**	**178,530,450**

The shares have a par value of €2 (unchanged from 2020). All outstanding shares are fully paid and registered. Shares held for more than four years have a double voting right.

The 2020 dividend paid to shareholders in 2021 was €2.30 per share (2019 dividend paid in 2020: €2.00 per share). The dividend was paid in full in cash for a net amount of €410 million (2020: €357 million).

The Managing Chairman will propose that shareholders approve the payment of a 2021 dividend in 2022 of €4.50 per share.

NOTE 25 RESERVES

(in € millions)	Translation reserve	Treasury shares	Other reserves	Retained earnings	Total
At January 1, 2020	**(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)
Total comprehensive income/(loss)	**(978)**	**-**	**36**	**744**	**(198)**
At December 31, 2020	**(1,265)**	**-**	**114**	**10,681**	**9,530**
Dividends and other appropriations	-	-	-	(414)	(414)
Share-based payments – current service cost (notes 7 and 8)	-	-	-	21	21
Share buybacks	-	(1)	-	-	(1)
Sale/cancellation of shares	-	1	-	-	1
Other	-	-	-	-	-
Transactions with the shareholders of the Company	**-**	**-**	**-**	**(393)**	**(393)**
Net income attributable to the shareholders of the Company	-	-	-	1,844	1,844
Post-employment benefits	-	-	-	*351*	*351*
Tax effect – Post-employment benefits	-	-	-	*(83)*	*(83)*
Equity instruments at fair value through OCI – changes in fair value	-	-	*31*	-	*31*
Tax effect – equity instruments at fair value through OCI	-	-	*(7)*	-	*(7)*
Other	-	-	*(1)*	*1*	-
Other comprehensive income that will not be reclassified to the income statement	-	-	23	269	292
Cash flow hedges – changes in fair value	-	-	*(10)*	-	*(10)*
Currency translation differences	*617*	-	-	-	*617*
Other	*(7)*	-	*2*	*(4)*	*(9)*
Other comprehensive income/(loss) that may be reclassified to the income statement	610	-	(8)	(4)	598
Total comprehensive income/(loss)	**610**	**-**	**15**	**2,109**	**2,734**
AT DECEMBER 31, 2021	**(655)**	**-**	**129**	**12,397**	**11,871**

During 2021, the Group bought back 8,032 shares for €1 million and then sold them immediately.

In January 2020, an agreement was signed with an investment services provider under which the Company undertook to buy back up to €100 million worth of Michelin shares before November 19, 2020. A total of 1,097,540 shares were finally bought back under the program at an average price per share of €89.83, representing a total investment of €99 million. All of the shares bought back under the agreement were canceled before the end of 2020.

NOTE 26 FINANCIAL LIABILITIES

The carrying amount of financial liabilities is presented in the table below:

(in € millions)	December 31, 2021	December 31, 2020
Bonds	5,090	5,867
Loans from financial institutions and other	187	235
Derivative instruments	83	67
Non-current financial liabilities	**5,360**	**6,169**
Non-current lease liabilities	**731**	**801**
Bonds	823	77
Commercial paper	258	940
Loans from financial institutions and other	499	479
Derivative instruments	102	50
Current financial liabilities	**1,682**	**1,546**
Current lease liabilities	**229**	**222**
FINANCIAL LIABILITIES	**8,002**	**8,738**

Group net debt is analyzed in the table below:

(in € millions)	December 31, 2021	December 31, 2020
Financial liabilities	8,002	8,738
Derivatives recognized as assets (note 16.1)	(222)	(153)
Borrowing collaterals (note 32.3.2)	(74)	(22)
Cash management financial assets (note 21)	(435)	(285)
Cash and cash equivalents (note 23)	(4,482)	(4,747)
NET DEBT	**2,789**	**3,531**

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, 2021	December 31, 2020
Bonds	5,485	6,649
Loans from financial institutions and other	187	235
Lease liabilities	731	801
Derivative instruments	83	67
FAIR VALUE OF NON-CURRENT FINANCIAL LIABILITIES	**6,486**	**7,752**

Changes in financial liabilities and derivatives are detailed by flow in the table below:

(in € millions)	At January 1, 2021	Cash flows from financial liabilities	Non-cash movements		At December 31, 2021
			Conversions	Other	
Bonds, loans from financial institutions and other	6,102	(730)	20	(115)	5,277
Lease liabilities	801	-	29	(99)	731
Derivative instruments	67	1	-	15	83
Non-current financial liabilities	**6,970**	**(729)**	**49**	**(199)**	**6,091**
Bonds, loans from financial institutions and other	1,496	(90)	39	135	1,580
Lease liabilities	222	(244)	8	243	229
Derivative instruments	50	57	-	(5)	102
Current financial liabilities	**1,768**	**(277)**	**47**	**373**	**1,911**
TOTAL FINANCIAL LIABILITIES	**8,738**	**(1,006)**	**96**	**174**	**8,002**
Derivatives recognized as assets	(153)	(37)	-	(32)	(222)
Net impact on the consolidated statement of cash flows		**(1,043)**			

26.1 Bonds and commercial paper

The table below provides detailed information about the bonds and commercial paper issued by the Group:

	December 31, 2021		December 31, 2020	
(in € millions)	Current	Non-current	Current	Non-current
Bonds repayable by Compagnie Générale des Établissements Michelin ▸ 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	-	314
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%	-	496	-	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%	-	744	-	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	-	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)	-	993	-	992
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	-	498
Bonds repayable by Compagnie Générale des Établissements Michelin ▸ 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)	-	745	-	744
Debt component of convertible bonds repayable by Compagnie Générale des Établissements Michelin ▸ nominal amount of $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, 2021 of €169.89	-	506	-	455

	December 31, 2021		December 31, 2020	
(in € millions)	Current	Non-current	Current	Non-current
Private placement loan notes issued by Fenner Group Holdings Limited				
▶ nominal amount of $160 million				
▶ issued in 2011 and due in 2021 ($95 million) and 2023 ($65 million)				
▶ nominal and effective interest rate of 5.144% (2021) and 5.420% (2023)				
▶ repaid in 2021 (note 26.1.2)	-	-	77	53
Bonds repayable by Compagnie Générale des Établissements Michelin				
▶ 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 $600 million				
▶ issued in January 2017 ($500 million) and April 2017 ($100 million) and due in January 2022 (note 26.1.1 and note 35)				
▶ nominal interest rate of 0%				
▶ effective interest rate of 1.98% (-0.38% after hedging)				
▶ conversion price at December 31, 2021 of €133.34				
▶ repaid at maturity on January 10, 2022 (note 26.1.1)	523	-	-	479
Commercial paper repayable by Compagnie Générale des Établissements Michelin				-
▶ in USD, euro-equivalent nominal amount: €22 million (2020: €42 million)				
▶ effective interest rate of 0.30% at December 31, 2021				
▶ in €, nominal amount: €236 million (2020: €898 million)				
▶ effective interest rate of -0.57% at December 31, 2021	258	-	940	-
TOTAL	**1,081**	**5,090**	**1,017**	**5,867**

At December 31, 2021, the weighted average nominal interest rate for bonds and commercial paper is 1.40% (1.08% after hedging).

26.1.1 2022 convertible bonds

Some holders of the convertible bonds due in January 2022 chose to exercise their conversion right in the second half of 2021, i.e., before the scheduled maturity date of January 10, 2022.

These conversions resulted in:

- early repayment of bonds with a nominal value of $8 million in 2021;
- repayment of the $592 million worth of outstanding bonds at maturity on January 10, 2022.

The converted bonds were settled in cash and not in shares of the Company. The risk of additional cash outflows in the event of conversion was hedged using options and had no impact on the Group's cash position and income statement in 2021.

26.1.2 Fenner private placement loan notes

During the second half of 2021, the Group repaid all of the private placement loan notes issued by its subsidiary Fenner. The €80 million ($95 million) tranche due in 2021 was repaid at maturity, and the tranche due in 2023 was repaid early, for an amount of €55 million ($65 million).

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, 2021, loans from financial institutions totaled €686 million (2020: €713 million). Most of the loans were denominated in euros and USD 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, a 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-2020* (Michelin custom Table for retirees); (ii) Canada: 105% of *CPM 2014 Private – MI-2017*; (iii) United Kingdom: Generational *S3PA CMI 2020* 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, 2021				December 31, 2020			
	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	21.7	21.1	20.2	18.4	21.6	21.0	20.2
Life expectancy for males at 65 (15 years after the end of the reporting period)	19.3	22.8	21.7	22.3	19.3	22.8	21.6	22.3
Life expectancy for females at 65 at the end of the reporting period	20.3	24.2	23.9	23.7	20.3	24.1	23.8	23.7
Life expectancy for females at 65 (15 years after the end of the reporting period)	21.3	25.2	25.0	25.4	21.3	25.2	24.9	25.4

The financial position of the main defined benefit plans is summarized below:

(in € millions)	Pension plans	Other plans	December 31, 2021	December 31, 2020
Present value of fully or partly funded obligations	7,578	-	7,578	7,795
Fair value of plan assets	(7,516)	-	(7,516)	(7,373)
Funded status deficit/(surplus)	**62**	**-**	**62**	**422**
Present value of unfunded obligations	1,097	1,774	2,871	3,014
Unrecognized assets due to the effect of the asset ceiling	97	-	97	53
NET DEFINED BENEFIT OBLIGATION	**1,256**	**1,774**	**3,030**	**3,489**
Amounts recognized in the statement of financial position:				
▶ As assets under non-current financial assets and other non-current assets (note 15)			(332)	(211)
▶ As liabilities under employee benefit obligations			3,362	3,700
NET LIABILITY	**1,256**	**1,774**	**3,030**	**3,489**

At December 31, 2021, the projected defined benefit obligation comprised €3,389 million for active members (current employees), €1,299 million for members who have deferred their vested benefits and €5,762 million for retired members (2020: respectively €3,905 million, €1,358 million and €5,546 million).

At December 31, 2021, the projected defined benefit obligation comprised €8,356 million for vested benefits and €2,094 million for unvested benefits (2020: respectively €8,653 million and €2,156 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	2021	2020
At January 1	**1,626**	**1,863**	**3,489**	**3,828**
Contributions paid to the fund managers	(19)	-	(19)	(142)
Benefits paid directly to the beneficiaries	(48)	(71)	(119)	(146)
Other movements	-	(3)	(3)	-
ITEMS RECOGNIZED IN OPERATING INCOME				
Current service cost	34	77	111	115
Actuarial (gains) or losses recognized on other long-term benefit plans	-	(8)	(8)	1
Past service cost resulting from plan amendments	(1)	-	(1)	(2)
Effect of plan curtailments or settlements	(1)	-	(1)	9
Effect of plan curtailments recognized within reorganizations and adaptation of activities	(72)	(96)	(168)	5
Other items	8	(1)	7	6
ITEMS RECOGNIZED OUTSIDE OPERATING INCOME				
Net interest on employee benefit obligations	12	29	41	54
ITEMS RECOGNIZED IN OTHER COMPREHENSIVE INCOME				
Translation adjustments	(4)	56	52	(94)
Actuarial (gains) or losses	(317)	(72)	(389)	(145)
Unrecognized assets due to the effect of the asset ceiling	38	-	38	-
AT DECEMBER 31	**1,256**	**1,774**	**3,030**	**3,489**

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	2021	2020
At January 1	**1,585**	**613**	**2,198**	**2,343**
Actuarial (gains) or losses recognized during the year due to changes in demographic assumptions:				
▶ Due to change in assumptions	(11)	(14)	(25)	(82)
▶ Due to experience adjustments	(30)	(48)	(78)	18
Actuarial (gains) or losses recognized during the year due to changes in financial assumptions:				
▶ Due to change in assumptions	(230)	(29)	(259)	633
▶ Due to experience adjustments	(46)	19	(27)	(714)
Unrecognized assets due to the effect of the asset ceiling	38	-	38	-
Change in scope of consolidation	-	-	-	-
AT DECEMBER 31	**1,306**	**541**	**1,847**	**2,198**
Of which actuarial (gains) or losses	*1,209*	*541*	*1,750*	*2,145*
Of which asset ceiling effect	*97*	-	*97*	*53*

In 2021, the net amount recognized in the consolidated income statement was income of €19 million (2020: expense of €188 million), broken down as follows:

(in € millions)	Pension plans	Other plans	2021	2020
Current service cost	34	77	111	115
Net interest on net defined benefit obligation (asset)	12	29	41	54
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	(8)	(8)	1
Past service cost recognized during the year:				
▶ Due to the introduction of or amendments to defined benefit plans	(1)	-	(1)	(2)
▶ Due to curtailments of defined benefit plans	-	-	-	-
Effect of defined benefit plan settlements	(1)	-	(1)	9
Other items	8	(1)	7	6
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	(72)	(96)	(168)	5
TOTAL RECOGNIZED IN THE INCOME STATEMENT	**(20)**	**1**	**(19)**	**188**

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. The plan provides for the payment of a pension to the surviving spouse and a disability pension.

The historical threshold has been gradually lowered since January 1, 2013 to zero in 2046. In return, employees participate in a mandatory defined contribution plan (PERO, ex-Article 83 plan) and can also participate in a voluntary defined contribution plan (PERCOL, ex-PERCO).

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.

Following an agreement with two co-insurers, the Group has transferred as of January 1, 2021, the obligation related to the plan's retirees. This partial liquidation of the plan reduced the obligation and plan assets for an amount of €212 million.

The following table analyzes changes in the financial position of the Group's defined benefit pension plans:

	2021				2020			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	3,967	4,932	47	8,946	4,205	4,950	62	9,217
Translation adjustments	325	238	-	563	(356)	(177)	(16)	(549)
Change in scope of consolidation	-	-	-	-	-	-	-	-
Current service cost	1	32	1	34	3	36	1	40
Interest cost on the defined benefit obligation	99	56	2	157	125	70	3	198
Administrative costs	3	5	-	8	2	4	-	6
Plan reorganization costs generated during the year:								
▶ past service cost due to the introduction of or amendments to defined benefit plans	-	(1)	-	(1)	-	-	-	-
▶ past service cost due to curtailments of defined benefit plans	-	(72)	-	(72)	-	1	-	1
▶ (gains) or losses on settlement of defined benefit plans	-	(1)	-	(1)	-	9	-	9
Benefits paid during the year	(269)	(199)	(3)	(471)	(262)	(230)	(3)	(495)
Other items*	-	(211)	1	(210)	-	21	1	22
Actuarial (gains) or losses generated during the year	(169)	(105)	(4)	(278)	250	248	(1)	497
Present value of the obligations at the end of the year	**3,957**	**4,674**	**44**	**8,675**	**3,967**	**4,932**	**47**	**8,946**
Fair value of plan assets at the beginning of the year	3,773	3,561	39	7,373	3,898	3,394	49	7,341
Translation adjustments	317	254	1	572	(334)	(185)	(14)	(533)
Change in scope of consolidation	-	-	-	-	-	-	-	-
Interest income on plan assets	93	50	2	145	116	58	2	176
Contributions paid to the funds	-	19	-	19	-	142	-	142
Benefits paid by the plans during the year	(268)	(153)	(2)	(423)	(262)	(196)	(2)	(460)
Other items*	-	(210)	1	(209)	-	21	1	22
Actual return on plan assets excluding interest income	7	38	(6)	39	355	327	3	685
Fair value of plan assets at the end of the year	**3,922**	**3,559**	**35**	**7,516**	**3,773**	**3,561**	**39**	**7,373**
Deficit/(surplus) at the end of the year	**35**	**1,115**	**9**	**1,159**	**194**	**1,371**	**8**	**1,573**
Deferred items at the beginning of the year	(50)	-	(3)	(53)	(55)	-	-	(55)
Translation adjustments	(5)	-	-	(5)	3	-	1	4
Unrecognized assets due to the effect of the asset ceiling	(42)	-	3	(39)	2	-	(4)	(2)
Deferred items at the end of the year	**(97)**	**-**	**-**	**(97)**	**(50)**	**-**	**(3)**	**(53)**
NET LIABILITY/(ASSET) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**132**	**1,115**	**9**	**1,256**	**244**	**1,371**	**11**	**1,626**

* *This amount includes €212 million related to the partial settlement of the "Régime de retraite supplémentaire MFPM" in France following the transfer of the benefit obligation for retired employees and the corresponding plan assets to an external fund as of January 1, 2021.*

In France, the voluntary early retirement and voluntary outplacement measures provided for in the Collective Settlement Agreement (RCC phase 1 and phase 2, note 9.2) had the effect of reducing the Group's pension obligations by €72 million. A provision for reorganizations and adaptation of activities was recorded at December 31, 2021 (note 29).

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 2021, a negative amount of €44 million was recognized on application of the asset ceiling.

In 2021, the projected defined benefit pension obligation decreased by €271 million due to:

(in € millions)	2021	2020
Translation adjustments	(563)	549
Actuarial gains or (losses) from changes in actuarial assumptions and the difference between assumptions and actual experience	278	(497)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	272	251
Changes in plan rules	74	(10)
Changes in the scope of consolidation	-	-
Other items*	210	(22)

* *This amount includes €212 million related to the partial settlement of the "Régime de retraite supplémentaire MFPM" in France following the transfer of the benefit obligation for retired employees and the corresponding plan assets to an external fund as of January 1, 2021.*

The fair value of plan assets amounted to €7,516 million at December 31, 2021, representing an increase of €143 million compared to December 31, 2020 due to:

(in € millions)	2021	2020
Translation adjustments	572	(533)
Difference between the contributions paid to the funds and the benefits paid by the funds	(404)	(318)
Actual return on plan assets	184	861
Changes in the scope of consolidation	-	-
Other items*	(209)	22

* *This amount includes €212 million related to the partial settlement of the "Régime de retraite supplémentaire MFPM" in France following the transfer of the benefit obligation for retired employees and the corresponding plan assets to an external fund as of January 1, 2021.*

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 2021 and the previous four periods:

(in € millions)	2021	2020	2019	2018	2017
Defined benefit obligation	(8,675)	(8,946)	(9,217)	(8,304)	(8,443)
Plan assets	7,516	7,373	7,341	6,294	6,367
SURPLUS/(DEFICIT)	**(1,159)**	**(1,573)**	**(1,876)**	**(2,010)**	**(2,076)**
Experience adjustments to:					
▶ plan liabilities	37	(7)	(5)	15	32
▶ plan assets	39	685	727	(284)	415

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:	2021	2020	2019	2018	2017
▶ the plan liabilities as a percentage of the present value of the obligation (DBO)	-0.43%	0.08%	0.05%	-0.18%	-0.38%
▶ the plan assets as a percentage of the fair value of the assets	0.52%	9.29%	9.90%	-4.51%	6.52%

The main actuarial weighted average assumptions used to measure pension plan obligations are as follows:

	December 31, 2021			December 31, 2020		
	North America	Europe	Other	North America	Europe	Other
Discount rate	2.83%	1.39%	8.80%	2.47%	1.08%	6.85%
Inflation rate	2.00%	2.75%	3.25%	2.00%	2.39%	3.25%
Rate of salary increases	2.40%	3.08%	3.65%	2.41%	2.77%	3.69%
Weighted average duration of the defined benefit obligation	11.2	15.7	13.4	12.0	15.6	13.9

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 2021, 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)	-6.54%	7.32%
Discount rate on the aggregate of current service cost and interest cost on the obligation	12.71%	-14.80%
Inflation rate on the defined benefit obligation (DBO)	3.26%	-3.13%
Inflation rate on the aggregate of current service cost and interest cost on the obligation	3.43%	-3.24%
Salary increase rate on the defined benefit obligation (DBO)	0.75%	-0.68%
Salary increase rate on the aggregate of current service cost and interest cost on the obligation	1.43%	-1.27%
Interest rates on the fair market value of plan assets	-5.50%	5.99%

Net income and expenses recognized in the income statement as well as the actual return on plan assets are as follows:

	2021				2020			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Current service cost	1	32	1	34	3	36	1	40
Interest cost on the defined benefit obligation	99	56	2	157	125	70	3	198
Interest income on plan assets	(93)	(50)	(2)	(145)	(114)	(59)	(3)	(176)
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	-	(1)	-	(1)	-	-	-	-
▶ Due to curtailments of defined benefit plans	-	-	-	-	-		-	-
Effect of defined benefit plan settlements	-	(1)	-	(1)	-	9	-	9
Other items	3	5	-	8	2	4	-	6
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	-	(72)	-	(72)	-	1	-	1
TOTAL DEFINED PENSION BENEFIT COST	**10**	**(31)**	**1**	**(20)**	**16**	**61**	**1**	**78**
Actual return on plan assets	100	88	(4)	**184**	471	385	5	**861**

The asset allocation of fully and partly funded pension plans is as follows:

	December 31, 2021					December 31, 2020				
	Canada	United States	United Kingdom	Other	Total	Canada	United States	United Kingdom	Other	Total
LISTED SECURITIES										
Local equities	1.7%	5.4%	0.0%	0.0%	2.2%	1.9%	8.5%	0.0%	0.0%	3.3%
Foreign and global equities	3.8%	4.8%	0.8%	0.0%	2.7%	7.2%	7.5%	1.2%	0.0%	4.3%
Alternative investments	1.8%	8.7%	0.0%	0.0%	3.4%	0.0%	9.2%	0.8%	0.0%	3.6%
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	0.0%	0.0%	20.2%	14.0%	9.5%	0.1%	0.0%	20.6%	7.2%	9.3%
Fixed income government and agencies	34.1%	23.0%	12.4%	0.0%	19.3%	26.3%	16.6%	13.2%	0.0%	15.7%
Corporate bonds	19.0%	37.1%	19.0%	0.0%	25.0%	15.6%	31.1%	19.1%	0.0%	21.7%
Other fixed income securities, multi-asset credit and emerging market bonds	27.8%	8.4%	25.2%	0.0%	18.8%	39.8%	16.6%	23.9%	0.0%	22.4%
Cash and cash equivalents	2.3%	1.0%	3.5%	2.0%	2.4%	3.9%	1.3%	6.5%	2.0%	4.0%
Total listed securities	**90.6%**	**88.3%**	**81.0%**	**16.0%**	**83.3%**	**94.8%**	**90.9%**	**85.3%**	**9.2%**	**84.4%**
UNLISTED SECURITIES										
Funds managed by insurance companies	0.0%	0.0%	0.0%	84.0%	2.4%	0.0%	0.0%	0.0%	90.8%	5.2%
Private placements[(1)]	6.9%	2.1%	14.3%	0.0%	8.3%	3.2%	0.8%	10.5%	0.0%	5.3%
Real estate	2.4%	9.5%	4.6%	0.0%	5.9%	2.1%	8.3%	4.3%	0.0%	5.1%
Total unlisted securities	**9.4%**	**11.7%**	**19.0%**	**84.0%**	**16.7%**	**5.2%**	**9.1%**	**14.7%**	**90.8%**	**15.6%**
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	**13.7**	**13.3**	**19.8**	**11.2**	**16.4**	**14.8**	**14.5**	**22.6**	**13.3**	**18.4**

(1) Private placements 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 2021 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				
2021	**2**	**65**	**1**	**68**
ESTIMATES OF CONTRIBUTIONS TO BE PAID AND BENEFITS TO BE PAID DIRECTLY BY THE GROUP				
2022	2	71	-	73
2023	2	75	-	77
2024	2	78	-	80
2025	2	88	-	90
2026	2	86	-	88
2027-2031	10	450	-	460

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 Trustee. For Michelin Pensions Trust Ltd, the 2021 agreement allows contributions to be deposited in an escrow account if the plan is overfunded, on a basis defined with the Trustee (note 15.2).

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:

	December 31, 2021				December 31, 2020			
(in € millions)	North America	Europe	Other	Total	North America	Europe	Other	Total
Present value of the obligations at the beginning of the year	**689**	**1,089**	**85**	**1,863**	**759**	**1,047**	**91**	**1,897**
Translation adjustments	55	(3)	4	56	(63)	4	(15)	(74)
Change in scope of consolidation	-	(3)	-	(3)	-	-	-	-
Current service cost	13	55	9	77	9	57	9	75
Interest cost on the defined benefit obligation	16	10	3	29	22	9	1	32
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)
▶ Past service cost due to curtailments of defined benefit plans	-	(96)	-	(96)	-	4	-	4
▶ (Gains) or losses on settlement of defined benefit plans	-	-	-	-	-	-	-	-
Benefits paid during the year	(45)	(21)	(5)	(71)	(50)	(57)	(4)	(111)
Other items	-	-	(1)	(1)	-	(1)	2	1
Actuarial (gains) or losses generated during the year	(61)	(17)	(2)	(80)	12	28	1	41
Present value of the obligations at the end of the year	**667**	**1,014**	**93**	**1,774**	**689**	**1,089**	**85**	**1,863**
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	**667**	**1,014**	**93**	**1,774**	**689**	**1,089**	**85**	**1,863**
NET LIABILITY/(ASSET) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION AT THE END OF THE YEAR	**667**	**1,014**	**93**	**1,774**	**689**	**1,089**	**85**	**1,863**

In France, the voluntary early retirement and voluntary outplacement measures provided for in the Collective Settlement Agreement (note 9.2) had the effect of reducing the Group's other post-employment benefit obligations by €96 million. A provision for reorganizations and adaptation of activities was recorded at December 31, 2021 (note 29).

In 2021, the present value of other defined benefit plans decreased by €89 million, due to:

	2021	2020
Effect of changes in exchange rates for the US dollar, pound sterling and Canadian dollar against the euro	(56)	74
Actuarial gains or (losses) from changes in actuarial assumptions and difference between assumptions and actual experience	80	(41)
Difference between the costs (service cost and interest cost) and the benefits paid during the year	(35)	4
Changes in plan rules	96	(2)
Changes in the scope of consolidation	3	-
Other items	1	(1)

The present value of the other defined benefit obligation and experience adjustments are as follows for 2021 and the previous four periods:

(in € millions)	**2021**	**2020**	**2019**	**2018**	**2017**
Defined benefit obligation	(1,774)	(1,863)	(1,897)	(1,760)	(1,820)
Experience adjustments to plan liabilities	29	19	48	14	46
Experience adjustments to plan liabilities *(as a % of the present value of the obligation – DBO)*	-1.63%	-1.02%	-2.53%	-0.80%	-2.53%

The main actuarial weighted average assumptions used to measure obligations for other defined benefit plans are as follows:

	December 31, 2021			**December 31, 2020**		
	North America	**Europe**	**Other**	**North America**	**Europe**	**Other**
Discount rate	2.69%	1.01%	4.34%	2.43%	0.69%	2.60%
Weighted average duration of the defined benefit obligation	10.2	15.4	13.6	11.5	14.2	12.5

Assumptions concerning healthcare cost trends are as follows:

	December 31, 2021		**December 31, 2020**	
	United States	**Canada**	**United States**	**Canada**
Expected growth in healthcare costs in the first year	8.25%	4.47%	7.00%	4.04%
Minimum long-term rate of annual growth in healthcare costs	4.50%	4.05%	4.93%	4.05%
Year in which the minimum growth rate will be achieved	2030	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 2021, 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)	-6.58%	7.37%
Discount rate on the aggregate of the current service cost and interest cost on the obligation	-0.44%	0.65%
Healthcare cost trend rate on the healthcare defined benefit obligation	1.49%	-1.36%
Healthcare cost trend rate on the aggregate of the current service cost and interest cost on the healthcare plan obligation	1.16%	-1.33%

Net income and expenses recognized in the income statement are as follows:

(in € millions)	2021 North America	2021 Europe	2021 Other	2021 Total	2020 North America	2020 Europe	2020 Other	2020 Total
Current service cost	13	55	9	77	9	57	9	75
Interest cost on the defined benefit obligation	16	10	3	29	22	9	1	32
Interest income on plan assets	-	-	-	-	-	-	-	-
Actuarial (gains) or losses recognized during the year on other long-term defined benefit plans	-	(8)	-	(8)	-	(1)	2	1
Past service cost recognized during the year:								
▶ Due to the introduction of or amendments to defined benefit plans	-	-	-	-	-	(2)	-	(2)
▶ Due to curtailments of defined benefit plans	-	-	-	-	-	-	-	-
Effect of defined benefit plan settlements	-	-	-	-	-	-	-	-
Other items	-	-	(1)	(1)	-	-	-	-
Portion of defined benefit expenses recognized under provisions for reorganizations and adaptation of activities	-	(96)	-	(96)	-	4	-	4
TOTAL OTHER DEFINED BENEFIT EXPENSES	**29**	**(39)**	**11**	**1**	**31**	**67**	**12**	**110**

Benefit payments made under other defined benefit plans in 2021 and to be made over the following ten years are as follows:

(in € millions)	North America	Europe	Other	Total
BENEFIT PAYMENTS MADE				
2021	45	21	5	71
ESTIMATES OF BENEFIT PAYMENTS TO BE MADE				
2022	45	24	6	75
2023	45	19	2	66
2024	44	23	2	69
2025	44	28	3	75
2026	44	35	4	83
2027-2031	201	245	27	473

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 2021, the contributions paid to defined contribution plans and expensed amounted to €218 million (2020: €217 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 schemes in France: PERO (ex Article 83) and PERCOL (ex PERCO).

PERO is a mandatory retirement savings plan. It was established as of January 1, 2012 to replace the "Régime de retraite supplémentaire MFPM" defined benefit plan. Contributions are paid by the employee and the employer based on the capped gross annual salary.

PERCOL is a voluntary retirement savings plan established on June 1, 2007 and revised on January 1, 2012. The company pays a capped contribution.

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:

	2021		2020	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**51.16**	**22,588**	**56.23**	**37,185**
Granted	-	-	-	-
Forfeited	51.16	(13,200)	51.16	(27)
Exercised	51.16	(9,388)	64.09	(14,570)
AT DECEMBER 31	**0.00**	**-**	**51.16**	**22,588**

The last stock options were granted in June 2012 and expired in June 2021.

28.2 Share grants and performance share plans

Changes in the number of share grants and performance share rights are as follows:

	2021	2020
	Number of share grants or performance share rights outstanding	Number of share grants or performance share rights outstanding
At January 1	**1,273,400**	**870,805**
Granted	319,622	589,020
Forfeited	(108,428)	(104,907)
Shares delivered	(180,976)	(81,518)
AT DECEMBER 31	**1,303,618**	**1,273,400**

Excellence Plan

In November 2021, 319,622 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 2025 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 €109.61. 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 of the Excellence plan set up in 2021 is estimated at €26 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, 2021 Number of share grants or performance share rights outstanding	December 31, 2020 Number of share grants or performance share rights outstanding
	France	Other countries	France	Other countries	France	Other countries		
2017	2021	2021	None	None	66.84	66.84	-	182,751
2018	2022	2022	None	None	47.91	47.91	38,821	127,480
2019	2023	2023	None	None	62.01	62.01	369,803	374,369
2020	2024	2024	None	None	75.62	75.62	495,928	506,236
2020	2022	N/A	None	N/A	101.54	N/A	79,988	82,564
2021	2025	2025	None	None	109.61	109.61	319,078	-
NUMBER OF SHARE GRANTS OR PERFORMANCE SHARE RIGHTS OUTSTANDING							**1,303,618**	**1,273,400**

The expense recognized in 2021 for performance share plans amounts to €21 million (2020: €17 million). It is included in "Segment other income and expenses".

NOTE 29 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Provisions and other non-current liabilities amount to €759 million (2020: €775 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, 2021	**258**	**345**	**603**
Additional provisions	257	136	393
Provisions utilized during the period	(209)	(77)	(286)
Unused provisions reversed during the year	(8)	(12)	(20)
Translation adjustments	3	10	13
Other effects	1	(4)	(3)
AT DECEMBER 31, 2021	**302**	**398**	**700**
Of which short-term portion (note 30)	193	83	276

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, 2021	December 31, 2020
France[(1)]	198	88
Germany[(2)]	57	116
United Kingdom	27	32
Other countries	20	22
TOTAL	**302**	**258**

(1) The total includes the provision set aside in 2021 in connection with the simplification and competitiveness plan (note 9.2), as well as the balance of provisions for previously announced reorganization plans, in particular the closure of the La Roche-sur-Yon site.

(2) It corresponds mainly to provisions for costs related to the closure of the Bamberg plant set aside in 2019 and the industrial and services competitiveness plan measures (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, 2021	December 31, 2020
Provisions for claims and litigation	102	90
Provisions for product warranties (note 3.8)	69	62
Provisions for product liability claims	74	40
Other provisions for contingencies	153	153
TOTAL	**398**	**345**

Provisions for claims and litigation mainly concern litigation with URSSAF dating back several years for €50 million (2020: €50 million).

NOTE 30 PROVISIONS AND OTHER CURRENT LIABILITIES

The carrying amount of other current liabilities is presented in the table below:

(in € millions)	December 31, 2021	December 31, 2020
Customers - Deferred rebates	992	796
Employee benefit obligations	871	556
Payroll tax liabilities	349	304
Provisions for reorganizations and adaptation of activities	193	168
Income tax payable	238	186
Other taxes	245	223
Other	429	407
PROVISIONS AND OTHER CURRENT LIABILITIES	**3,317**	**2,640**

NOTE 31 NOTES TO THE STATEMENT OF CASH FLOWS

Cash flows are presented in detail in the table below:

(in € millions)	2021	2020
Investment grants recognized in profit or loss	(12)	(12)
Change in employee benefit obligations	(42)	(180)
Change in litigation and other provisions	29	(5)
Restructuring costs	(214)	(206)
Other	38	18
Other operating income and expenses (cash) and change in provisions	**(201)**	**(385)**
Interest and other financial expenses paid	(227)	(305)
Interest and other financial income received	7	28
Dividends received	13	12
Interest and other financial income and expenses received and paid, net	**(207)**	**(265)**
Change in inventories	(1,106)	552
Change in trade receivables and advances	(370)	92
Change in trade payables and advances	527	(34)
Change in trade payables under reverse factoring agreements	120	15
Change in other receivables and payables	5	75
Change in working capital, net of impairment	**(824)**	**700**
Purchases of intangible assets (note 13)	(211)	(180)
Purchases of PP&E (note 14)	(1,494)	(1,041)
Government grants received	9	6
Change in capital expenditure payables	217	(154)
Purchases of intangible assets and PP&E	**(1,479)**	**(1,369)**
Increase in other non-current financial assets	(48)	(45)
Decrease in other non-current financial assets	79	26
Net cash flows from cash management financial assets	(150)	(105)
Net cash flows from borrowing collaterals	(51)	79
Net cash flows from other current financial assets	(33)	20
Cash flows relating to other financial assets	**(203)**	**(25)**
Increase in non-current financial liabilities	44	2,439
Decrease in non-current financial liabilities	(774)	(1,076)
Repayment of lease liabilities	(244)	(244)
Net cash flows from current financial liabilities	(90)	731
Derivatives	21	(66)
Cash flows relating to financial liabilities	**(1,043)**	**1,784**
Details of non-cash transactions:		
▸ New leases (note 14)	167	211
▸ New emission allowances granted	13	12

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, 2021 amounts to €331 million (of which €46 million is likely to be delivered in 2023).

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 2022. They are entered into on arm's length terms in the normal course of business.

32.2 Contingencies

32.2.1 Brazil

During 2021, one of the Group's Brazilian subsidiaries received a notice of reassessment from the tax authorities following an audit of its 2017 accounts. The reassessment concerns the deductibility of goodwill amortization recorded during the year. The subsidiary strongly contests the reassessment and lodged an appeal before the Administrative Court on April 27, 2021.

Following the unfavorable ruling of the Administrative Court, the Group is planning to lodge an appeal with the Brazilian Administrative Tax Appeal Board. It considers that amortizing the goodwill was justified, in terms of both its form and substance, and believes that the court is likely to find in its favor. Consequently, no provision has been recorded for this matter.

32.2.2 Michelin Pension Trust Ltd UK

Following adoption of the Pensions Act 2004 in the United Kingdom, a multi-annual plan of contributions to the UK pension fund (the "Recovery Plan") was established between the Group's UK companies and their pension funds. In order to limit the amount of contributions, the Group issued guarantees to the pension funds to cover the contributions to be made by its subsidiaries. Michelin Pensions Trust Ltd has also received an additional guarantee covering the possible insolvency of the participating entities. The risk is considered unlikely and the guarantee is capped at £100 million.

The last Recovery Plan calculations were performed on March 31, 2020 and the next ones will be performed on March 31, 2023. 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, 2021, the present value of future contributions in excess of the provision booked in the consolidated financial statements was €7 million, including €0 million for the guarantee given to the trustees of the Michelin Pension Trust Ltd UK and €7 million for the guarantee given to Fenner Pension Scheme Trustee Limited.

For the Michelin Pension Trust Ltd, contributions are payable to the plan if the plan is underfunded. If the plan is overfunded, the contributions are deposited in an escrow account up to a certain level of overfunding, after which a contributions holiday is granted. When the amount in escrow exceeds a certain level, the local entity may apply for a refund (note 15).

For Fenner UK Pension Scheme Trustee Limited, a contributions holiday is granted once a certain funding level is met.

32.2.3 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 (2020: €33 million).

32.3.2 Financial assets

The €184 million held in an escrow account linked to the pension plan in the United Kingdom is pledged to the plan and is therefore not freely available (note 15.2).

Loans and deposits amounting to €74 million (2020: €22 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 €477 million (2020: €463 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, 2021 (2020: €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 response

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, 2021, 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.

During certain operations, the Group may face foreign exchange exposures not recognized in the accounts but which can have a significant impact on the cash flow of the Group. These are future transactions such as the payment of internal Group dividends and internal Group capital increases, or company acquisitions. In this case, the Group may put in place hedging of its economcic foreign exchange risk.

33.1.3.2 Risk management response

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 Suisse SA, or, alternatively, through a bank. Compagnie Financière Michelin Suisse SA 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 five 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.

Foreign currency economic risk

The risk is hedged as soon as the transaction is highly probable and is above certain thresholds determined by the Group risk management policy, approved by the Financial Risks Committee. The instruments used are mainly currency options.

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 response

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 response

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 response

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 response

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 Financial risk data

33.2.1 Liquidity risk

At December 31, 2021, the debt repayment schedule (principal and interest) and the maturities of undrawn confirmed credit lines are as follows:

(in € millions)	2022	2023	2024	2025	2026	2027	2028 and beyond
Bonds	893	575	68	810	59	354	4,015
Commercial paper	257	-	-	-	-	-	-
Loans from financial institutions and other	509	100	23	40	12	7	6
Lease liabilities	253	212	171	129	98	55	148
Derivative instruments	5	(57)	6	4	2	3	-
DEBT REPAYMENT SCHEDULE	**1,917**	**830**	**268**	**983**	**171**	**419**	**4,169**
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 increased its syndicated credit line to €2,500 million and rolled it over for a further period of three years, with two one-year extension options. At the end of 2021, the Group exercised its first extension option, extending the maturity from 2023 to 2024.

The Group considers that at December 31, 2021 its sources of financing were sufficient to meet the needs of the business:

- cash and cash equivalents for €4,482 million;
- cash management financial assets for €435 million;
- a €2,500 million NEU CP commercial paper program, of which €236 million had been utilized at December 31, 2021;
- a $700 million (€619 million) US CP commercial paper program, of which $25 million (€22 million) had been utilized at December 31, 2021;
- two €477 million factoring programs activated when there are sufficient trade receivables of high enough quality, drawn down by €15 million as of December 31, 2021;
- €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, 2021					December 31, 2020				
(in € millions)	EUR	CNY	USD	MXN	Other	EUR	CNY	USD	MXN	Other
Hedges	552	(208)	490	(571)	(1,222)	817	(321)	386	(513)	(545)

The other currencies mainly include currency hedges in GBP and THB.

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, 2021	December 31, 2020
EUR	5,117	4,308
USD	5,085	4,038
GBP	1,509	1,587
CNY	923	652
BRL	850	843
THB	684	530
CAD	398	284
MXN	119	30
Other	286	359
TOTAL	**14,971**	**12,631**

33.2.3 Interest rate risk

Net debt at December 31, 2021 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
THB	47	10	**57**	475	47	485	**532**	77	(77)	124	408	**532**
GBP	52	(4)	**48**	473	52	469	**521**	99	(99)	151	370	**521**
USD	1,267	310	**1,577**	(1,075)	206	296	**502**	589	(589)	795	(293)	**502**
MXN	2	(2)	**-**	496	2	494	**496**	165	(165)	167	329	**496**
CNY	37	(51)	**(14)**	319	37	268	**305**	164	(164)	201	104	**305**
EUR	4,994	(3,902)	**1,092**	(1,156)	6,055	(6,119)	**(64)**	(77)	77	5,978	(6,042)	**(64)**
Other currencies	117	(51)	**66**	468	117	417	**534**	217	(217)	334	200	**534**
Total before derivatives	**6,516**	**(3,690)**	**2,826**	**-**	**6,516**	**(3,690)**	**2,826**	**1,234**	**(1,234)**	**7,750**	**(4,924)**	**2,826**
Fair value of derivatives included in net debt			**(37)**				**(37)**					**(37)**
NET DEBT (NOTE 26)			**2,789**				**2,789**					**2,789**

The main reference rates to which the Group is exposed are Euribor and Libor.

Financial instruments that are backed by a benchmark rate subject to the reform have no significant impact on the Group's consolidated financial statements.

A 1-point parallel shift in the yield curves applied to the net debt components would have the following impact at December 31, 2021:

		Fair value impact			
(in € millions)	Annualized cash impact recognized in the income statement	Recognized in the income statement(1)	Recognized in other comprehensive income(2)	Not recognized(3)	Total
1-point downward shift	(49)	(22)	1	(513)	**(534)**
1-point increase	49	21	(1)	513	**533**

(1) The Group's interest rate management 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, 2021	December 31, 2020
Carrying amount (note 15.1)	279	229
IMPACT ON EQUITY OF A 10% UNFAVORABLE CHANGE IN THE PRICE OF EQUITIES HELD BY THE GROUP	**(22)**	**(19)**

33.2.5 Counterparty risk

At December 31, 2021, 68% 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, 2021, net receivable balances from the ten largest customers amounted to €496 million (2020: €398 million). Five of these customers are located in Europe and five in North America. At the same date, 69 customers (2020: 55) had been granted credit limits in excess of €10 million. Out of these, 29 are located in Europe, 26 in North America, two in Central America, seven in Asia and five in the Africa/India/Middle-East region. No material collateral has been received to limit the related credit risk. In 2021, credit losses represented 0.07% of sales (2020: 0.09%).

33.2.7 Commodities derivatives

In 2021, 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, 2021	December 31, 2020
Net debt (note 26)	2,789	3,531
Total equity	14,971	12,631
GEARING	**0.19**	**0.28**

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, 2021:

(in € millions)	FVTPL	FVOCI	Amortized cost	Total 2021
Trade receivables	-	-	3,576	3,576
Current financial assets	121	50	542	713
Cash and cash equivalents	3,698	-	784	4,482
Non-current financial assets	567	279	558	1,404
TOTAL FINANCIAL ASSETS	**4,386**	**329**	**5,460**	**10,175**

Non-current financial assets at fair value through profit or loss consist mainly of the Solesis preferred shares (note 4.1.1) and the escrow account related to UK pension plans (note 27.1.1)

Investments in non-consolidated companies are measured at fair value through other comprehensive income (note 15).

33.5 Fair value measurement hierarchy

The following tables present Group assets and liabilities measured at fair value at December 31, 2021 and 2020 by level in the fair value measurement hierarchy:

(in € millions)	Level 1	Level 2	Level 3	Total 2021
Cash and cash equivalents	3,698	-	-	3,698
Current financial assets	74	97	-	171
Non-current financial assets	218	372	256	846
TOTAL ASSETS	**3,990**	**469**	**256**	**4,715**
Derivative instruments (note 16.2)	-	185	-	185
TOTAL LIABILITIES	**-**	**185**	**-**	**185**

(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**

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, 2021:

(in € millions)	
At January 1, 2021	**193**
Acquisitions	20
Disposals	(2)
Gains or losses for the year recognized in other comprehensive income	31
Other	6
AT DECEMBER 31, 2021	**248**

NOTE 34 RELATED-PARTY TRANSACTIONS

Management and Supervisory Bodies

Florent Menegaux, Managing Chairman and Managing General Partner of Compagnie Générale des Établissements Michelin, received a statutory distribution in 2021 based on 2020 net income of €0.8 million (2020 based on 2019 net income: €1.0 million). He was also awarded compensation of €1.2 million (payroll taxes included) as General Manager of Manufacture Française des Pneumatiques Michelin (2020: €1.1 million). The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.4 million (2020: €0.4 million). In addition, an expense of €0.3 million (2020: €0 million) was recognized in the Company's 2021 accounts, corresponding to performance shares granted to Florent Menegaux in respect of years after 2019.

A €0.2 million statutory distribution based on net income was paid in 2021 to Jean-Dominique Senard, Managing Chairman and General Partner of Compagnie Générale des Établissements Michelin until May 2019, corresponding to the balance of his 2018 compensation.

Yves Chapot received compensation of €1.7 million (payroll taxes included) in 2021 as General Manager of Compagnie Générale des Établissements Michelin (2020: €1.2 million). The benefits that vested during the period in respect of a post-employment defined benefit plan amounted to €0.4 million (2020: €0.4 million). A provision of €1.3 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. In addition, an expense of €0.2 million (2020: €0 million) was recognized in the Company's 2021 accounts, corresponding to performance shares granted to Yves Chapot in respect of years after 2019.

At December 31, 2021, the Group Executive Committee had nine members (2020: eight members). Employee benefits costs for members of the Group Executive Committee break down as follows:

(in € millions)	2021	2020
Short-term and termination benefits	9.9	7.3
Post-employment benefits	1.6	1.9
Other long-term benefits	-	-
Share-based payments	2.3	1.7
COMPENSATION GRANTED TO MEMBERS OF THE GROUP EXECUTIVE COMMITTEE	**13.8**	**10.9**

The compensation paid in 2021 to the Supervisory Board members for 2020 was €0.7 million (2020 for 2019: €0.7 million).

NOTE 35 EVENTS AFTER THE REPORTING DATE

Redemption of convertible bonds due in January 2022

The Group redeemed the outstanding convertible bonds at maturity on January 10, 2022, for a nominal amount of $592 million.

No other material events occurred between the reporting date and the date when the consolidated financial statements were authorized for issue by the Managing Chairman.

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
TyresNParts GmbH	Full consolidation method	Frankfurt	Commercial	100.00
Cleantech Innovation Park GmbH	Equity method	Hallstadt	Miscellaneous	45.00

Companies	Consolidation method	Registered office	Type	% interest
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
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
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
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
Technobalt Eesti OÜ	Full consolidation method	Peetri	Manufacturing & commercial	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	-
Compagnie Financière Michelin	Full consolidation method	Clermont-Ferrand	Financial	100.00
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

Companies	Consolidation method	Registered office	Type	% interest
Transityre France	Full consolidation method	Clermont-Ferrand	Commercial	100.00
Alliance Réseaux	Full consolidation method	Saint-Jean-de-Maurienne	Commercial	100.00
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
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
Oxymore	Full consolidation method	Montbonnot-Saint-Martin	Commercial	95.00
Teleflow SAS	Full consolidation method	Mably	Miscellaneous	100.00
Michelin Middle-East	Full consolidation method	Clermont-Ferrand	Financial	100.00
Michelin Europe (EEIG)	Full consolidation method	Clermont-Ferrand	Miscellaneous	99.95
AddUp	Equity method	Cébazat	Manufacturing	53.67
MMM !	Full consolidation method	Paris	Miscellaneous	100.00
1 Pièce Cuisine SAS	Full consolidation method	Paris	Miscellaneous	100.00
Allopneus	Full consolidation method	Aix-en-Provence	Commercial	100.00
Call For You	Full consolidation method	Aix-en-Provence	Commercial	100.00
Log For You	Full consolidation method	Aix-en-Provence	Commercial	100.00
Rautor	Full consolidation method	Aix-en-Provence	Commercial	100.00
Roadzila	Full consolidation method	Aix-en-Provence	Commercial	100.00
Watea SAS	Full consolidation method	Clermont-Ferrand	Commercial	100.00
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
Aircaptif SAS	Full consolidation method	Trappes	Miscellaneous	100.00
Wanikou Technologie SAS	Full consolidation method	Trappes	Miscellaneous	100.00
Michelin Editions SAS	Equity method	Paris	Miscellaneous	40.00
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

Companies	Consolidation method	Registered office	Type	% interest
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
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				
TB Industry SIA	Full consolidation method	Riga	Manufacturing & commercial	100.00
LITHUANIA				
UAB Michelin Padangos	Full consolidation method	Vilnius	Miscellaneous	100.00
Technobalta UAB	Full consolidation method	Vilnius	Manufacturing & commercial	100.00
LUXEMBOURG				
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
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

Companies	Consolidation method	Registered office	Type	% interest
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
Cemat trading spol sro	Full consolidation method	Bohumín	Commercial	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
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
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

Companies	Consolidation method	Registered office	Type	% interest
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
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
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 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

Companies	Consolidation method	Registered office	Type	% interest
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
Michelin Connected Fleet South Africa (Pty) Limited	Full consolidation method	Boksburg	Miscellaneous	100.00
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
IVORY COAST				
Société Internationale de Plantations d'Hévéas	Equity method	Abidjan	Miscellaneous	18.00
UNITED ARAB EMIRATES				
Michelin AIM FZCO	Full consolidation method	Dubai	Miscellaneous	100.00
Dunlop Service Middle-East, LLC	Full consolidation method	Dubai	Manufacturing & commercial	49.00
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
Michelin Maroc SARL	Full consolidation method	Casablanca	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

Companies	Consolidation method	Registered office	Type	% interest
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
TBC Corporation	Equity method	Palm Beach Gardens	Commercial	50.00
T & W Tire, LLC	Equity method	Oklahoma City	Commercial	25.00
Snider Tire, Inc.	Equity method	Greensboro	Commercial	25.00
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
Fenner Dunlop (Toledo), LLC	Full consolidation method	Columbus	Manufacturing & commercial	100.00
Solesis Holdings, LLC	Equity method	Charlotte	Miscellaneous	49.00
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

Companies	Consolidation method	Registered office	Type	% interest
MEXICO				
Michelin Sascar Mexico S.A. de C.V.	Full consolidation method	Querétaro	Commercial	100.00
Industrias Michelin, S.A. de C.V.	Full consolidation method	Querétaro	Manufacturing & commercial	100.00
Michelin Mexico Services, S.A. de C.V.	Full consolidation method	Querétaro	Miscellaneous	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
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
SOUTHEAST 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

Companies	Consolidation method	Registered office	Type	% interest
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
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

Companies	Consolidation method	Registered office	Type	% interest
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
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

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	462	34%	-	-	463	31%	-	-
▶ Fully consolidated subsidiaries	890	66%	3,796	100%	1,049	69%	3,382	100%
Sub-total	**1,352**	**100%**	**3,796**	**100%**	**1,512**	**100%**	**3,382**	**100%**
NON-AUDIT SERVICES								
▶ Issuer(1)	-	-	-	-	142	80%	-	-
▶ Fully consolidated subsidiaries(2)	71	100%	1,371	100%	36	20%	840	100%
Sub-total	**71**	**100%**	**1,371**	**100%**	**178**	**100%**	**840**	**100%**
TOTAL	**1,423**		**5,167**		**1,689**		**4,222**	

(1) These services consist mainly of an independent third-party body engagement by PricewaterhouseCoopers Audit.

(2) These services correspond for the most part to procedures performed in connection with acquisitions or planned acquisitions, diagnostic reviews, 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, 2021)

This is a translation into English of the statutory auditors' report on the financial statements of the Compagnie Générale des Etablissements Michelin 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 Établissements 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 Établissements Michelin for the year ended December 31, 2021.

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 as at December 31, 2021 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 independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors, for the period from January 1st, 2021 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 goodwill and intangible assets

Risk identified

As of December 31, 2021, the net value of goodwill and intangible assets (in particular trademarks and customer relationships) amounted respectively to € 2,286 million and to € 1,811 million, for total assets on the statement of financial position of € 34,701 million.

For the purpose of impairment testing in accordance with IAS 36, these assets are allocated to cashgenerating units (CGUs) or – in the case of goodwill– to groups of CGUs. Notes- 2.7.1 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 five-year business plan. 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 goodwill and intangible assets to be a key audit matter, in particular for the CGU carrying risk of impairment, 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

With the assistance of our valuation experts, 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, 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;
- corroborate, for the sensitive CGUs, the externalized EBITDA multiple on the basis of cash flow projections with those derived from comparable market data;
- assessed the reasonableness of the discount rates and long-term growth rates used to perform the impairment tests, based on comparable market data;
- verified the appropriateness of the disclosures provided in notes 2.7.1, 3.17, 9.3 and 13 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 € 10,449 million at December 31, 2021. 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 € 7,419 million, mainly in North America and the United Kingdom, the net obligation recognized in the consolidated statement of financial position at December 31, 2021 amounted to € 3,030 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 first consisted in assessing the reasonableness of the main assumptions used, in particular the discount and inflation rates, with regard to market conditions and the consistency of the assumptions relating to changes in salaries and demographic data (mortality tables, inflation rates for medical costs.) 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 11.2 to the consolidated financial statements, the Group is specifically involved in a dispute with the local authorities in Germany, following several tax audits covering the years 2005 to 2009 and 2010 to 2014, which resulted in significant tax adjustments. The tax adjustment related to the period 2005-2009, which primarily concerns transfer pricing, has been reduced from € 382 million to € 96 million on a tax base in 2020.

During the 2021 financial year, an agreement was reached with the German tax authorities on the main components of the tax adjustment. The Group has accepted a tax base adjustment of € 31 million for the period 2005 to 2009 and € 58 million for the period 2010 to 2014. The net residual risk estimated by the Group is provisioned as of December 31, 2021.

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 11.2 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 pertaining to the Group presented 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 of presentation of the consolidated financial statements intended 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 Établissements Michelin by the Annual Shareholders Meetings of May 14, 2004 for PricewaterhouseCoopers Audit and May 7, 2010 for Deloitte & Associés.

At December 31, 2021, PricewaterhouseCoopers Audit and Deloitte & Associés were in the eighteenth and twelfth 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 18, 2022

The Statutory Auditors

French original signed by

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 (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.

A portion of these services are delivered by MFPM, which bills the operating companies on a cost-plus basis.

Intra-group transactions involve sizable 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.

5.3.1.1 Income statement

CGEM reported net income of €584 million in 2021, versus €1,011 million in 2020.

5.3.1.1.1 Net operating income

Net operating income amounted to €374 million in 2021, compared with €278 million in 2020. Royalty revenue came close to being restored to the pre-Covid-19 level, rising by €162 million over the year. Operating expenses increased by €60 million to €611 million, versus €551 million in 2020.

5.3.1.1.2 Net financial income

Net financial income amounted to €330 million in 2021, compared with €729 million the previous year, reflecting a decrease in dividend income.

5.3.1.2 Balance sheet

Equity amounted to €8,116 million at December 31, 2021, versus €7,946 million a year earlier. The net increase corresponded mainly to recognition of the Company's net income for the year less payment of the 2020 dividend and profit shares for €414 million.

5.3.2 FINANCIAL STATEMENTS OF COMPAGNIE GÉNÉRALE DES ETABLISSEMENTS MICHELIN (PARENT)

Balance sheet

Assets *(in € thousands)*	Note	December 31, 2021 Cost	 Depreciation, amortization & provisions	 Net	December 31, 2020 Net
Intangible assets	5	427,758	(218,552)	209,206	220,795
Investments	6	13,696,538	(162,062)	13,534,476	13,905,101
Non-current assets		**14,124,296**	**(380,614)**	**13,743,682**	**14,125,896**
Receivables	7	885,566	-	885,566	839,175
Marketable securities	7	149,944	-	149,944	-
Derivative instruments	8.1	195,383	(87,249)	108,134	52,990
Cash		3,622,869	-	3,622,869	3,891,516
Prepaid expenses		4,953	-	4,953	7,601
Current assets		**4,858,715**	**(87,249)**	**4,771,466**	**4,791,282**
Deferred charges and bond call premiums		44,674	(6,843)	37,831	47,180
Conversion losses		1,713	-	1,713	1,725
TOTAL ASSETS		**19,029,398**	**(474,706)**	**18,554,692**	**18,966,083**

Equity and liabilities *(in € thousands)*	Note	December 31, 2021	December 31, 2020
Share capital	9	357,061	356,680
Paid-in capital in excess of par	9	2,746,083	2,745,842
Revaluation reserve	10	624,772	624,772
Other reserves	10	1,283,218	1,283,580
Retained earnings	10	2,459,216	1,862,506
Net income	10	584,192	1,010,644
Untaxed reserves	10	61,598	61,598
Equity		**8,116,140**	**7,945,622**
Convertible bonds	8.1	1,053,600	977,816
Ordinary bonds and other borrowings	8.2	5,197,372	5,879,110
Other financial liabilities	11	3,736,923	3,731,168
Accrued taxes and payroll costs	11	31,366	9,532
Other liabilities	11	411,110	388,835
Derivative instruments	8.1	4,254	30,096
Liabilities		**10,434,625**	**11,016,557**
Conversion gains		3,927	3,904
TOTAL EQUITY AND LIABILITIES		**18,554,692**	**18,966,083**

Income statement

(in € thousands)	Note	2021	2020
Royalties	13	959,769	797,951
Other revenue		1,064	626
Exchange gains		23,532	30,843
Revenue		**984,365**	**829,420**
External charges	14	(532,750)	(463,564)
Taxes other than on income		(3,625)	(8,268)
Payroll costs		(3,190)	(2,280)
Depreciation and amortization	5	(46,493)	(45,232)
Other expenses		(649)	(770)
Exchange losses		(23,841)	(30,827)
Operating expenses		**(610,548)**	**(550,941)**
NET OPERATING INCOME		**373,817**	**278,479**
Dividends from subsidiaries and affiliates	20	232,323	761,032
Interest income		72,152	59,677
Provision reversals	6	41,325	-
Exchange gains		366	503
Financial income		**346,166**	**821,212**
Amortization and provision expense		(26,962)	(25,906)
Interest expense		(89,455)	(65,663)
Exchange losses		(248)	(158)
Financial expense		**(116,665)**	**(91,727)**
NET FINANCIAL INCOME		**229,501**	**729,485**
INCOME BEFORE NON-RECURRING ITEMS AND TAX		**603,318**	**1,007,964**
Non-recurring income		**13,203**	**3,087**
Non-recurring expenses		**(13,518)**	**(10,180)**
NET NON-RECURRING INCOME/(EXPENSE)		**(315)**	**(7,093)**
Income tax	15	(18,811)	9,773
NET INCOME		**584,192**	**1,010,644**

NOTES TO THE FINANCIAL STATEMENTS

DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

The financial year of Compagnie Générale des Établissements Michelin (the Company) 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 11, 2022 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 In 2021, the Company's royalty revenue came close to being restored to the pre-**Covid-19** level (see note 13).

2.2 Until March 31, the subsidiary Compagnie Financière Michelin SA (CFM) provided cash management services for the Group and also acted as a holding company. Following a legal reorganization, cash management services were transferred to another Group company that is indirectly owned by the Company. To facilitate the transaction, no **dividend** was paid by CFM to the Company in 2021.

2.3 Effective April 30, CFM's **headquarters** were transferred to Clermont-Ferrand in France from Granges-Paccot in Switzerland, where they were previously domiciled.

2.4 A **dividend** of €198 million was paid in the fall by Fenner Group Holdings Limited, representing its first dividend since it became a member of the Michelin Group in 2018.

2.5 A **dividend** of €34 million was paid in December by Camso International S.à.r.l., also representing its first dividend since it became a member of the Michelin Group in 2018.

2.6 A portfolio of **brands and patents** was purchased from an indirectly-owned Group company for €33 million.

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 fair value 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 fair value for the investor company. In the event of a lasting decline in fair value to below the carrying amount, an impairment loss is recognized.

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 July 2, 2015, 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 tax

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, 2020	Additions/ increases	Disposals/ decreases	December 31, 2021
Brands, patents and other rights	395,135	32,623	-	427,758
Total cost	**395,135**	**32,623**	**-**	**427,758**
Brands, patents and other rights	(174,340)	(44,212)	-	(218,552)
Amortization	**(174,340)**	**(44,212)**	**-**	**(218,552)**
TOTAL	**220,795**	**(11,589)**	**-**	**209,206**

The increase in the gross value of brands, patents and other rights is explained in note 2.6.

NOTE 6 INVESTMENTS

(in € thousands)	December 31, 2020	Additions/ increases	Disposals/ decreases	at December 31, 2021
Shares in subsidiaries and affiliates (note 20)	9,133,279	17,538	(11,915)	9,138,902
Loans and advances to subsidiaries and affiliates (note 7)	4,829,441	142,242	(4,634,390)	337,293
Other loans (note 7)	142,662	5,260,069	(1,189,496)	4,213,235
Other equity interests	3,106	4,280	(278)	7,108
Total cost	**14,108,488**	**5,424,129**	**(5,836,079)**	**13,696,538**
Shares in subsidiaries and affiliates (note 20)	(202,062)	-	40,000	(162,062)
Other loans (note 7)	(1,325)	-	1,325	-
Impairment	**(203,387)**	**-**	**41,325**	**(162,062)**
TOTAL	**13,905,101**	**5,424,129**	**(5,794,754)**	**13,534,476**

Most of the loans and advances to subsidiaries and affiliates at December 31, 2020 were reclassified as other loans at December 31, 2021 following the legal reorganization mentioned in note 2.2.

Provisions for impairment of shares in subsidiaries and affiliates in the amount of €40 million were reversed in 2021.

NOTE 7 MATURITIES OF LOANS AND RECEIVABLES

(in € thousands)	Due within one year	Due in more than one year	Cost	Impairment	Net
NON-CURRENT ASSETS (NOTE 6)					
Loans and advances to subsidiaries and affiliates	337,293	-	337,293	-	337,293
Other loans	3,597,472	615,763	4,213,235	-	4,213,235
CURRENT ASSETS					
Receivables	885,566	-	885,566	-	885,566
TOTAL AT DECEMBER 31, 2021	**4,820,331**	**615,763**	**5,436,094**	**-**	**5,436,094**

Marketable securities

The €149,944 thousand in marketable securities consist of units in a specialized professional fund. They represent short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

NOTE 8 BONDS

8.1 Convertible bonds

(in € thousands)	December 31, 2021	December 31, 2020
CONVERTIBLE BONDS (NOTE 11)		
2017-2022 convertible bond issue	523,353	489,336
2018-2023 convertible bond issue	530,247	488,480
TOTAL	**1,053,600**	**977,816**

The two convertible bond issues each represented a nominal amount of USD 600 million. They do not pay interest.

(in € thousands)	Cost	Amortization	Net
DERIVATIVE INSTRUMENTS (ASSETS)			
Conversion risk hedges (options) – 2017-2022 bonds	52,925	(52,925)	-
Conversion risk hedges (options) – 2018-2023 bonds	42,905	(34,324)	8,581
Forward foreign exchange contracts – 2018-2023 bonds	75,295	-	75,295
Forward foreign exchange contracts – 2017-2022 bonds	24,258	-	24,258
TOTAL AT DECEMBER 31, 2021	**195,383**	**(87,249)**	**108,134**

(in € thousands)	
DERIVATIVE INSTRUMENTS (LIABILITIES)	
Forward foreign exchange contracts – Other	4,254
TOTAL AT DECEMBER 31, 2021	**4,254**

8.2 Ordinary bonds and other borrowings

(in € thousands)	Annual interest	December 31, 2021	December 31, 2020
ORDINARY BONDS AND OTHER BORROWINGS (NOTE 11)			
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	300,000
2015-2027 bond issue	1.750%	300,000	300,000
2015/16-2045 bond issue	3.250%	316,826	317,451
2020-2028 bond issue	0.000%	500,000	500,000
2020-2032 bond issue	0.250%	500,000	500,000
2020-2040 bond issue	0.625%	500,000	500,000
Accrued interest on ordinary bonds and other borrowings		22,452	22,452
Negotiable European Commercial Paper (NEU CP)		236,000	898,500
US Commercial Paper (US CP)		22,094	40,707
TOTAL		**5,197,372**	**5,879,110**

The Negotiable European Commercial Paper program totals €2.5 billion, and the US Commercial Paper program amounts to USD 700 million.

NOTE 9 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, 2021: 178,340,086 shares	**356,680**	**2,745,842**	**3,102,522**
Issuance of 565 shares (note 16) in exchange for vested performance share rights	1	-	1
Deductions from paid-in capital in excess of par	0	(220)	(220)
Issuance of 9,388 shares (note 16) on exercise of stock options	19	461	480
Issuance of 180,411 shares (note 16) in exchange for vested performance share rights	361	-	361
AT DECEMBER 31, 2021: 178,530,450 SHARES	**357,061**	**2,746,083**	**3,103,144**

The shares have a par value of €2.

All outstanding shares are registered and fully paid.

NOTE 10 OTHER EQUITY

(in € thousands)	Revaluation reserve	Other reserves	Retained earnings	Net income	Untaxed reserves	Total
At January 1, 2021	**624,772**	**1,283,580**	**1,862,506**	**1,010,644**	**61,598**	**4,843,100**
Appropriation of 2020 net income	-	-	596,710	(1,010,644)	-	(413,934)
Deduction for performance share issuance	-	(362)	-	-	-	(362)
2021 net income	-	-	-	584,192	-	584,192
AT DECEMBER 31, 2021	**624,772**	**1,283,218**	**2,459,216**	**584,192**	**61,598**	**5,012,996**
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		364,804				

At the 2021 Annual Shareholders Meeting, shareholders approved the payment of a dividend of €2.30 per share, representing a total payout of €410 million after deducting the €4 million share of profits attributed to the General Partners in accordance with the Bylaws.

NOTE 11 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 8.1)	1,053,600	523,353	530,247	-
Ordinary bonds and other borrowings (note 8.2)	5,197,372	580,545	750,000	3,866,827
Other financial liabilities	3,736,923	3,736,923	-	-
Accrued taxes and payroll costs	31,366	31,366	-	-
Other liabilities	411,110	411,110	-	-
TOTAL AT DECEMBER 31, 2021	**10,430,371**	**5,283,297**	**1,280,247**	**3,866,827**

NOTE 12 RELATED PARTIES

12.1 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	6	8,976,840	-	8,976,840
Loans and advances to subsidiaries and affiliates	6	337,293	-	337,293
Other loans	6	4,213,235	-	4,213,235
Other equity interests	6	7,108	-	7,108
Receivables	7	621,292	264,274	885,566
Other financial liabilities	11	3,736,923	-	3,736,923
Other liabilities	11	407,743	3,367	411,110

12.2 Related-party transactions

All related-party transactions are on arm's length terms.

NOTE 13 REVENUE

Revenue consists entirely of royalties received from related companies, as follows:

(in € thousands)	2021	2020
Companies in France	54,709	45,610
Companies outside France	905,060	752,341
TOTAL	**959,769**	**797,951**

NOTE 14 EXTERNAL CHARGES

(in € thousands)	2021	2020
Outsourcing expenses	(156,677)	(139,300)
Research and development expenses	(306,634)	(278,325)
Miscellaneous	(69,439)	(45,939)
TOTAL	**(532,750)**	**(463,564)**

NOTE 15 INCOME TAX

Compagnie Générale des Établissements Michelin is the parent company of a tax group that also comprises 14 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.

Income tax recognized in the Company's financial statements comprises the following:

(in € thousands)	2021	2020
Current tax due by the Company on a stand-alone basis	(37,285)	(28,395)
Group relief	14,382	30,071
Other	4,092	8,097
TOTAL	**(18,811)**	**9,773**

NOTE 16 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:

	2021		2020	
	Weighted average exercise price *(in € per option)*	Number of options	Weighted average exercise price *(in € per option)*	Number of options
At January 1	**51.16**	**22,588**	**56.23**	**37,185**
Granted	-	-	-	-
Forfeited	51.16	(13,200)	51.16	(27)
Exercised	51.16	(9,388)	64.09	(14,570)
AT DECEMBER 31	**0.00**	**-**	**51.16**	**22,588**

The last stock options were granted in June 2012 and expired in June 2021.

Share grants and performance share plans

Changes in the number of share grants and performance share rights are as follows:

	2021	2020
	Number of share grants or performance share rights outstanding	Number of share grants or performance share rights outstanding
At January 1	**1,273,400**	**870,805**
Granted	319,622	589,020[(1)]
Forfeited	(108,428)	(104,907)
Shares delivered	(180,976)	(81,518)
AT DECEMBER 31	**1,303,618**	**1,273,400**

(1) 60 additional rights were granted in 2021 under the France 2020 plan.

Excellence Plan

In November 2021, 319,622 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 2025 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 share grants and performance share plans have the following characteristics:

Grant date	Vesting date		Lock-up period		December 31, 2021	December 31, 2020
					Number of share grants or performance share rights outstanding	Number of share grants or performance share rights outstanding
	France	Other countries	France	Other countries		
2017	2021	2021	None	None	-	182,751
2018	2022	2022	None	None	38,821	127,480
2019	2023	2023	None	None	369,803	374,369
2020	2024	2024	None	None	495,928	506,236
2020	2022	N/A	None	N/A	79,988	82,504[(1)]
2021	2025	2025	None	None	319,078	-
NUMBER OF SHARE GRANTS OR PERFORMANCE SHARE RIGHTS OUTSTANDING					**1,303,618**	**1,273,400**

(1) 60 additional rights were granted in 2021 under the France 2020 plan.

NOTE 17 MARKET RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS

17.1 Interest rate risk

The Company does not hold any interest rate instruments.

17.2 Currency risk

At December 31, 2021, the Company had receivables corresponding to royalties with a net book value of €324 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 8.1). 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.

17.3 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 8.1).

NOTE 18 MANAGEMENT COMPENSATION

As per its Bylaws, the Company is administered by one or several Managers.

Managers 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.

The General Manager is paid fixed and variable compensation and may also receive a long-term incentive (LTI) bonus.

The statutory share of 2020 profit allocated in 2021 to Florent Menegaux, Managing General Partner since May 18, 2018 and Managing Chairman since May 17, 2019, amounted to €761 thousand (2020 for 2019: €1,008 thousand).

A €162 thousand statutory distribution based on net income was paid in 2021 to Jean-Dominique Senard, Managing Chairman and General Partner of the Company until May 2019, corresponding to the balance of his 2018 compensation.

The total compensation (fixed compensation and 2020 variable compensation payable in 2021) paid by the Company to Yves Chapot, General Manager, amounted to €1,655 thousand (including payroll taxes) in 2021 (2020 for 2019: €1,216 thousand). In addition, a €1,321 thousand accrual (including payroll taxes) was recorded at December 31, 2021 to cover his 2021 bonus payable in 2022 and his conditional entitlement to a long-term incentive bonus payable in 2022 after the Annual Shareholders Meetings. Benefits in kind amounted to €10 thousand.

NOTE 19 FEES PAID TO THE STATUTORY AUDITORS

(in € thousands)	**Deloitte & Associés**	**PricewaterhouseCoopers Audit**
Audit services	462	463
Non-audit services(1)	-	142

(1) These services consist mainly of an independent third-party body engagement by PricewaterhouseCoopers Audit.

NOTE 20 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)*	33,162 (USD)	100.0%	307,703	307,703	-	42,131 *(USD)*	10,557 *(USD)*	-
Camso International S.à.r.l. Luxembourg (Luxembourg)	33,700 *(USD)*	88,778 *(USD)*	100.0%	223,620	223,620	-	4,603 *(USD)*	1,295 *(USD)*	33,764
Camso Vietnam Co., Ltd Tan Uyen (Vietnam)	29,000 *(USD)*	(7,877) *(USD)*	100.0%	29,840	29,840	-	39,066 *(USD)*	5,285 *(USD)*	-
Compagnie Financière Michelin Clermont-Ferrand (France)	2,502,355 *(CHF)*	9,488,948 *(CHF)*	100.0%	4,325,679	4,325,679	-	-	493,803 *(CHF)*	-
Fenner Group Holdings Limited Stoke-on-Trent (United Kingdom)	48,751 *(GBP)*	157,991 *(GBP)*	100.0%	1,365,554	1,365,554	-	-	17,778 *(GBP)*	198,429
Masternaut Bidco Limited London (United Kingdom)	85,236	26,129	100.0%	85,975	85,975	-	-	22	-
Rodaco Argentina S.A.U. Buenos Aires (Argentina)	170,873 *(ARS)*	68,522 *(ARS)*	100.0%	4,104	4,104	-	571,395 *(ARS)*	49,221 *(ARS)*	-
Spika Clermont-Ferrand (France)	477,000	(9,328)	100.0%	655,915	493,944	304,264	-	(49,036)	-
Michelin Ventures SAS Clermont-Ferrand (France)	45,025	(541)	100.0%	45,025	45,025	33,029	-	1,588	-
Manufacture Française des Pneumatiques Michelin Clermont-Ferrand (France)	504,000	1,250,096	100.0%	1,614,309	1,614,309	-	4,522,654	(185,865)	-
PT Multistrada Arah Sarana Tbk Bekasi (Indonesia)	137,343 *(USD)*	58,022 *(USD)*[(3)]	99.64%	481,051	481,051	-	289,608 *(USD)*[(3)]	(31,897) *(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		-	-	7,107	7,107	-	-	-	130
TOTAL SHARES IN SUBSIDIARIES AND AFFILIATES AND OTHER EQUITY INTERESTS				**9,146,010**	**8,983,948**	**337,293**			**232,323**

(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 21.3.

NOTE 21 FINANCIAL COMMITMENTS

21.1 Lines of credit

(in € thousands)	2021	2020
Lines of credit granted by the Company to related companies	-	1,212,000
Drawdowns	-	(496,000)
AVAILABLE AT DECEMBER 31	**-**	**716,000**

All credit lines and related drawdowns were transferred to Compagnie Financière Michelin, a subsidiary of the Company, in 2021.

21.2 Forward currency exchange contracts

At December 31, 2021, the value in euros of the forward foreign exchange contracts was as follows:

- currency to be received €1,252 million;
- currency to be delivered €1,137 million.

21.3 Commitments given: Guarantees

- The Company has issued a guarantee to 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 €7 million at December 31, 2021.
- In its role as holding company, the Company may give a commitment to support certain controlled subsidiaries should the need arise.
- The Company is committed to paying €12 million to Siparex Associés over the period to 2025, corresponding to the payment in installments of the nominal amount of Siparex bonds redeemable for shares.

21.4 Commitments received:

- 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. At the end of 2021, the Company exercised its first extension option, extending the maturity from 2023 to 2024.

NOTE 22 EVENTS AFTER THE REPORTING DATE

On January 10, 2022, the Company redeemed its 2017-2022 convertible bonds.

No other material events occurred between the reporting date and the publication date of the financial statements.

5.3.3 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended December 31, 2021)

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and 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, 2021.

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, 2021 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, 2021, the carrying amount of shares in subsidiaries and affiliates was €8,977 million, representing 48% 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).

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.441-6 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.22-10-10 and L. 22-10-9 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 (code 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 of the presentation of the financial statements intended 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 (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.

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, 2021, PricewaterhouseCoopers Audit and Deloitte & Associés were in the eighteenth and twelfth 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 18, 2022

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, 2021

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 Établissements Michelin

23 place des Carmes-Déchaux

63000 Clermont-Ferrand, France

To the Shareholders,

In our capacity as Statutory Auditors of Compagnie Générale des Établissements 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 18, 2022

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Frédéric Gourd

5.3.5 STATEMENT OF CHANGES IN EQUITY

(in € thousands and € per share)	2021	2020
NET INCOME		
Accounting profit		
Total: Net income/(loss)	584,192	1,010,644
Per share: Net income/(loss)	3.27	5.67
RECOMMENDED TOTAL DIVIDEND PAYOUT	**803,387[(1)]**	**410,182**
Recommended dividend per share	4.50[(1)]	2.30

(1) Subject to approval by shareholders at the Annual Meeting on May 13, 2022.

STATEMENT OF CHANGES IN EQUITY

(in € thousands)	2021	2020
A) 1. Equity at prior year-end before dividends	**7,945,622**	**7,346,285**
2. Dividend approved by the Annual Shareholders Meeting	(413,935)	(367,635)
B) Equity at January 1, 2021 after dividends	**7,531,687**	6,978,650
C) Movements for the year:		
1. Change in capital	381	(575)
2. Increase in paid-in capital in excess of par	241	(43,368)
3. Change in reserves and retained earnings[(2)]	(361)	271
4. Net income	584,192	1,010,644
D) Equity at December 31, 2021 before dividends	**8,116,140**	**7,945,622**
E) TOTAL CHANGES IN EQUITY DURING THE YEAR	**584,453**	**966,972**
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	**584,453**	**966,972**
Notes:		
C3 Dividends on treasury shares credited to retained earnings	-	*434*

(1) Subject to approval by shareholders at the Annual Meeting on May 13, 2022.
(2) Excluding appropriation of 2020 net income.

5.3.6 APPROPRIATION OF 2021 NET INCOME

(in € thousands)		
AMOUNT TO BE APPROPRIATED		
Retained earnings brought forward from prior year		2,459,216
Net income		584,192
RECOMMENDED APPROPRIATIONS		
Dividend	803,387[(1)]	
Statutory share of income attributed to the General Partners	5,299	
Retained earnings	2,234,722	
AVAILABLE AT DECEMBER 31	**3,043,408**	**3,043,408**

(1) Subject to approval by shareholders at the Annual Meeting on May 13, 2022.

5.3.7 FIVE-YEAR FINANCIAL SUMMARY

(in € thousands and in € per share, unless otherwise specified)	2017	2018	2019	2020	2021
I. CAPITAL AT DECEMBER 31					
a) Share capital	359,042	359,695	357,255	356,680	357,061
b) Number of common shares outstanding	179,520,987	179,847,632	178,627,555	178,340,086	178,530,450
II. RESULTS OF OPERATIONS					
a) Net revenue	681,188	895,113	1,034,805	797,951	959,769
b) Earnings before tax, depreciation, amortization and provisions (EBTDA)	1,058,933	1,028,453	817,567	1,072,009	635,133
c) Income tax	(16,054)	47,930	30,603	(9,773)	18,811
d) Net income	1,029,300	813,150	672,105	1,010,644	584,192
III. PER-SHARE DATA					
a) Earnings per share after tax, before depreciation, amortization and provision expenses (EBDA)	5.99	5.45	4.41	6.07	3:45
b) Basic earnings per share	5.73	4.52	3.76	5.67	3:27
c) Dividend per share	3.55	3.70	2.00	2.30	4.50[(1)]
IV. EMPLOYEE DATA					
a) Average number of employees	-	-	-	1	2
b) Total payroll	28	877	1,123	2,280	3,190
c) Total benefits	95	369	(76)	645	838

(1) Subject to approval by shareholders at the Annual Meeting on May 13, 2022.

01 02 03 04 05 06 07 08

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 8, 2022

Florent Menegaux,

Managing Chairman

5.4.2 STATUTORY AUDITORS

5.4.2.1 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.

5.4.2.2 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 2021:

	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	462	34%	-	-	463	31%	-	-
▶ Fully consolidated subsidiaries	890	66%	3,796	100%	1,049	69%	3,382	100%
Sub-total	**1,352**	**100%**	**3,796**	**100%**	**1,512**	**100%**	**3,382**	**100%**
NON-AUDIT SERVICES								
▶ Issuer(1)	-	-	-	-	142	80%	-	-
▶ Fully consolidated subsidiaries(2)	71	100%	1,371	100%	36	20%	840	100%
Sub-total	**71**	**100%**	**1,371**	**100%**	**178**	**100%**	**840**	**100%**
TOTAL	**1,423**		**5,167**		**1,689**		**4,222**	

(1) Corresponding mainly to an independent third-party body engagement performed by PricewaterhouseCoopers Audit.

(2) Corresponding chiefly to procedures performed in connection with acquisitions or planned acquisitions, diagnostic reviews, 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:

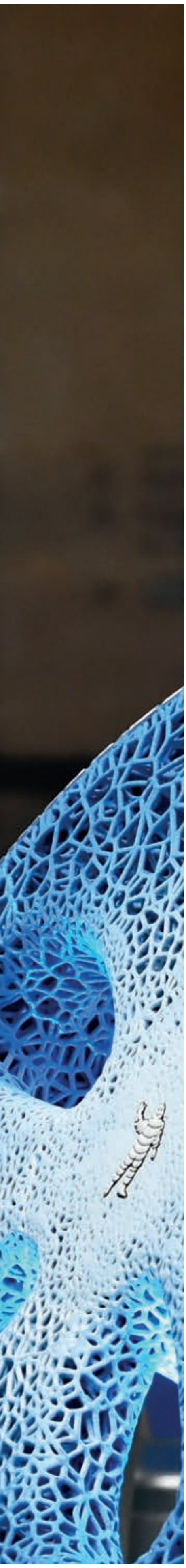
- the management report, the consolidated financial statements and the parent company financial statements for the year ended December 31, 2020, as well as the relevant Statutory Auditors' reports, presented in the Universal Registration Document filed with the AMF on April 9, 2021 under number D. 21-0285;
- 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 Documents, other than the items cited above, are superseded or updated by the information included in the 2021 Universal Registration Document. The 2018 Registration Document and the 2019 and 2020 Universal Registration Documents are available for consultation at the Company's registered office or on its website www.michelin.com.

More than 205,000 shareholders support our ambitions. They hold their shares in registered form, which fosters effective, high-quality shareholder dialogue. 62,000 of our employees are Michelin shareholders.

06

INVESTOR RELATIONS



INVESTOR RELATIONS 06

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: 549300SOSI58J6VIW05.

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

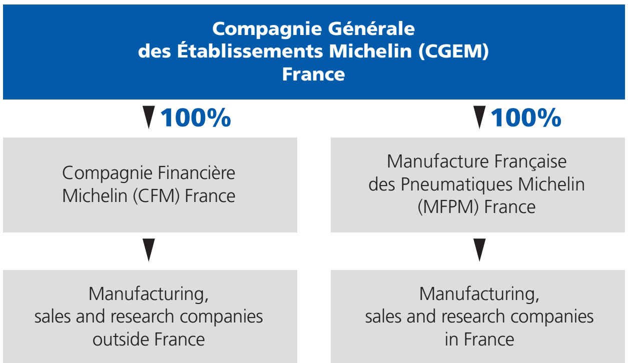
- The Company is a société en commandite par actions (partnership limited by shares) governed by Articles L. 226-1 to L. 226-14 of the French Commercial Code (Code de commerce).

Main business

- Managing subsidiaries and other interests held in any and all countries.

Summary organization chart

(at December 31, 2021)



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 France (CFM), a wholly-owned subsidiary (the holding company for companies carrying out these activities outside France).

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.

Indices

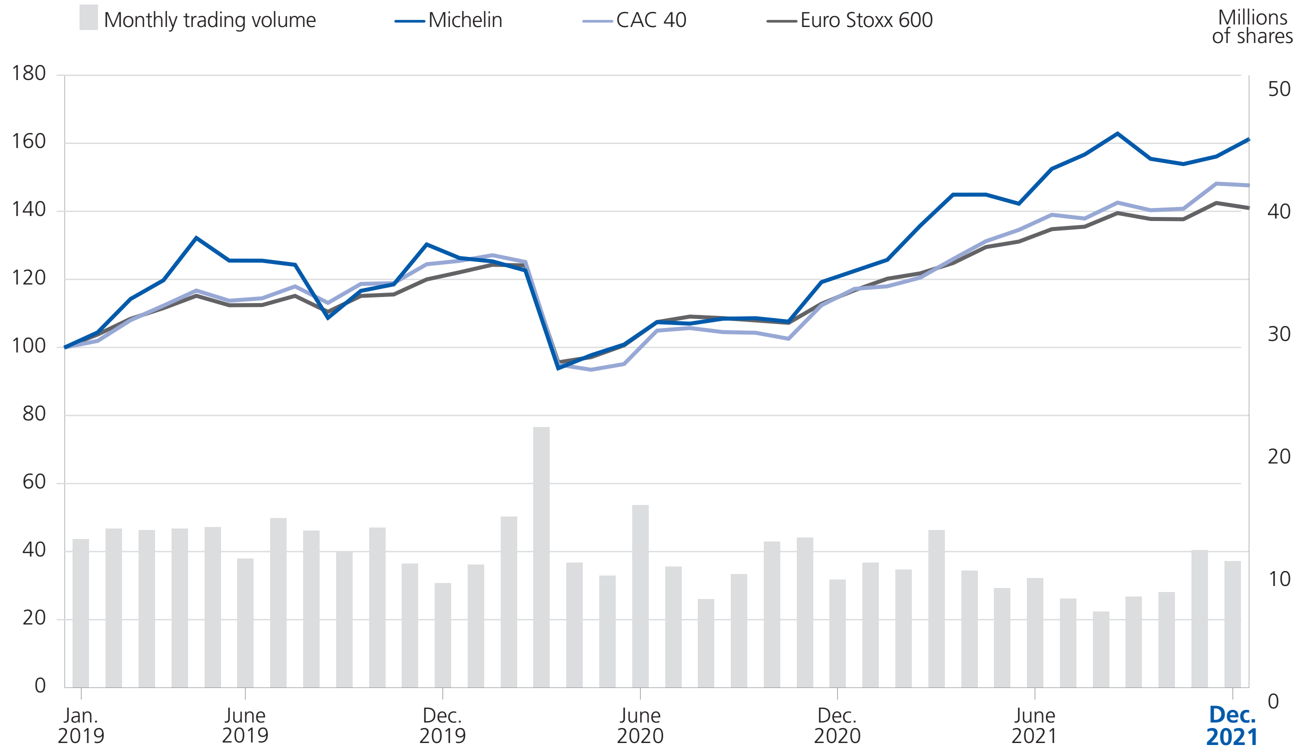
The Michelin share is included in two leading stock market indices:

- CAC 40: 1.47% of the index at December 31, 2021;
- Euronext 100: 0.67% of the index at December 31, 2021.

Michelin is also included in the main Socially Responsible Investing (SRI) indices:

- Ethibel Excellence Europe and Global, Euronext VigeoEiris France 20, Europe 120, Eurozone 120, World 120 and FTSE4Good.

MICHELIN SHARE PERFORMANCE



6.2.2 SHARE DATA

Share price *(in €)*	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Session high	146.00	112.80	119.50	130.85	128.40	106.80
Session low	103.30	68.00	83.74	82.68	98.93	77.40
High/Low ratio	1.41	1.66	1.43	1.58	1.30	1.38
Closing price, end of period	144.15	104.95	109.10	86.70	119.55	105.70
Average closing price over the period	129.75	95.49	104.36	109.40	115.65	91.97
Change in the Michelin share price over the period	37.35%	-3.80%	25.84%	-27.48%	13.10%	20.25%
Change in the CAC 40 index over the period	*28.85%*	*-7.14%*	*26.37%*	*-10.95%*	*9.26%*	*4.86%*
Change in the Stoxx 600 index over the period	*22.25%*	*-4.04%*	-	-	-	-
Market capitalization *(at end of the period, in € billions)*	**25.74**	**18.72**	**19.49**	**15.59**	**21.45**	**19.03**
Average daily trading volume over the period	435,955	548,883	577,545	649,347	503,534	554,262
Average number of shares outstanding	178,378,193	178,497,159	179,669,608	179,384,513	182,212,806	182,122,667
Volume of shares traded over the period	112,476,357	141,062,953	147,273,882	165,583,378	128,401,095	142,445,218

According to statistical data collected by Euronext Paris.

6.2.3 PER-SHARE DATA

(in € per share, except ratios)	**2021**	**2020**	**2019**	**2018**	**2017**
Net asset value per share	83.9	70.8	74.1	67.8	62.7
Basic earnings per share	10.31	3.52	9.69	9.30	9.39
Diluted earnings per share[(1)]	10.24	3.51	9.66	9.25	9.34
PER	**14.0**	**29.8**	**11.3**	**9.3**	**12.7**
Dividend per share[(2)]	4.50	2.30	2.00	3.70	3.55
Payout ratio (excl. non-recurring items)	42.0%	47.0%	19.5%	36.4%	36.0%
Yield[(3)]	3.1%	2.2%	1.8%	4.3%	3.0%

(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 of May 13, 2022.
(3) Dividend/share price at December 31.

6.2.4 CAPITAL AND OWNERSHIP STRUCTURE

At December 31, 2021, Michelin's share capital amounted to €357,060,900.

	At December 31, 2021			**At December 31, 2020**			**At December 31, 2019**		
	Number of shareholders	**Shares outstanding**	**Voting rights outstanding**	**Number of shareholders**	**Shares outstanding**	**Voting rights outstanding**	**Number of shareholders**	**Shares outstanding**	**Voting rights outstanding**
French institutional investors		23.6%	27.3%		27.1%	29.3%		27.4%	29.1%
Non-resident institutional investors	4,123	65.5%	59.2%	3,938	61.8%	57.1%	3,735	61.3%	57.1%
Individual shareholders	139,099	9.2%	11.5%	136,935	9.1%	11.4%	141,628	9.5%	11.8%
Employee share ownership plan	62,118	1.7%	2.0%	69,378	2.0%	2.3%	58,079	1.8%	2.0%
TOTAL	**205,340**	**178,530,450[(1)] SHARES**	**238,147,046 VOTING RIGHTS**	**210,251**	**178,340,086 SHARES**	**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.

As of December 31, 2021, theoretical voting rights outstanding were equal to exercisable voting rights outstanding, and to the company's knowledge, no material portion of its issued capital has been pledged.

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.

During the year, more than 1,400 institutional investors and financial analysts were contacted. In spring 2021, the Michelin in Motion 2030 strategy was presented to the financial community at a virtual Capital Markets Day organized from the headquarters offices in Clermont-Ferrand, France.

At the same time, Michelin reached out to individual shareholders at shareholder meetings, convened its Shareholders' Committee and participated for the first time in the *Investir Day* event organized by financial newspaper Les Echos and Investir magazine. At the meeting, which was held both in person and remotely, Michelin reiterated its Ambitions for 2030 and was able to answer many questions from individual shareholders.

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, and if necessary at the company's head office.

6.5 ADDITIONAL SHARE INFORMATION

6.5.1 CHANGES IN SHARE CAPITAL

Year	Transaction	Number of shares	Change in capital: Capital (in €)	Change in capital: Share premium (in €)
	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**	
2021	Vesting of performance shares	180,976	361,952	0
	Exercise of stock options	9,388	18,776	461,514
	AT DECEMBER 31, 2021	**178,530,450**	**357,060,900**	

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, 2021

	Issued capital *(in €)*
ISSUED CAPITAL AT DECEMBER 31, 2021	**357,060,900**

Stock options outstanding as of December 31, 2021

The last plan launched in 2012 expired in 2021 and no exercisable stock options remain.

Performance shares outstanding at December 31, 2021

Grant date	Vesting period ends	Performance shares outstanding	Capital *(in €)*
November 22, 2018 *(Excellence Management)*	November 22, 2022	38,821	
November 15, 2019 *(Excellence)*	November 15, 2023	369,803	
November 13, 2020 *(Excellence, Managers)*	November 13, 2024	495,928	
November 16, 2020	November 16, 2022	79,988	
November 17, 2021 *(Excellence, Managers)*	November 17, 2025	319,078	
TOTAL PERFORMANCE SHARES OUTSTANDING		**1,303,618**	**2,607,236**

MAXIMUM POTENTIAL SHARES AS OF DECEMBER 31, 2022 (REPRESENTING A 0.73% INCREASE IN ISSUED CAPITAL)	**359,668,136**

6.5.3 STOCK OPTIONS

6.5.3 a) Stock option plans in effect at December 31, 2021 (Table 8 of the AFEP/MEDEF Corporate Governance Code)

The corporate officers did not receive any stock options in respect of their positions under one of the plans adopted by the Company which, at December 31, 2021, had all expired.

	Plan 14
Date of the shareholder authorization	05/15/2009
Date granted by the Managers	06/25/2012
Total number of new or existing shares that may be purchased upon exercise of the options	143,276
Of which options granted to:	
▶ Florent Menegaux[(1)] (Managing General Partner)	-
▶ Yves Chapot[(1)] (General Manager)	-
▶ Michel Rollier[(2)] (Chairman of the Supervisory Board)	-
Vesting date	06/25/2016
Expiration date	06/24/2021
Exercise price	€51.16
Number of options exercised as of December 31, 2021	117,524
Number of options cancelled or expired	25,752
NUMBER OF OPTIONS OUTSTANDING AT DECEMBER 31, 2021	**0**

(1) Granted in his capacity as Manager.
(2) 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)	6,250	51.16	06/24/2021	06/25/2012

(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 6,250 options at a unit price of €51.16 for options granted on June 25, 2012.

No Manager holds non-exercisable stock options.

Clermont-Ferrand, February 11, 2022

Florent Menegaux

Managing Chairman

6.5.4 SHARE GRANTS AND PERFORMANCE SHARES

6.5.4 a) Performance share plans in effect at December 31, 2021 (Table 9 of the AFEP/MEDEF Corporate Governance Code)

PLANS IN EFFECT

	Plan 9 (Excellence Management)	Plan 10 (Excellence)	Plan 11 (Excellence)
Date of the shareholder authorization	May 13, 2016	May 17, 2019	June 23, 2020
Date granted by the Managers	November 22, 2018	November 15, 2019	November 13, 2020
Number of rights granted	129,270	377,292	486,216
O/w to:			
▶ Florent Menegaux[1] (Managing Chairman)	-	-	-
▶ Yves Chapot[1] (General Manager)	-	-	-
Vesting date (in years)	November 22, 2022 (4 years)	November 15, 2023 (4 years)	November 13, 2024 (4 years)
End of lock-up period (in years)	N/A	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 2017 and the second half of 2020 ▶ Corporate social responsibility objective: • average MEF[3] of 51 or less over the 2018-2020 period • 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	▶ 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 • 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 • 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
Number of vested shares at December 31, 2021	0	325	409
Number of canceled or voided share rights	90,449	7,164	9,899
NUMBER OF SHARE GRANTS OR PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2021	**38,821**	**369,803**	**475,908**

(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 12 (Managers)	Plan 13	Plan 14 (Excellence)	Plan 15 (Managers)
	June 23, 2020	June 23, 2020	June 23, 2020	June 23, 2020
	November 13, 2020	November 16, 2020	November 17, 2021	November 17, 2021
	20,020	82,784	305,627	13,995
	12,012	0	-	8,397
	8,008	0 (Yves Chapot waived his four share rights)	-	5,598
	November 13, 2024 (4 years)	November 16, 2022 (2 years)	November 17, 2025 (4 years)	November 17, 2025 (4 years)
	N/A	N/A	N/A	N/A
	▶ 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 • 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	▶ Michelin share price outperforms the Euro Stoxx 600 index by at least 5 points, comparing the average closing price in 2020 and in 2023 ▶ Corporate social responsibility objective: • i-MEP below 88 points in 2023 • average change in employee engagement rate of more than 1 point over the 2021-2023 period ▶ Average annual growth in revenue (excluding tires and distribution) of more than 8% over the 2020-2021, 2021-2022 and 2022-2023 periods ▶ Return on capital employed (ROCE) of at least 11% in 2023	▶ Michelin share price outperforms the Euro Stoxx 600 index by at least 5 points, comparing the average closing price in 2020 and in 2023 ▶ Corporate social responsibility objective: • i-MEP below 88 points in 2023 • average change in employee engagement rate of more than 1 point over the 2021-2023 period ▶ Average annual growth in revenue (excluding tires and distribution) of more than 8% over the 2020-2021, 2021-2022 and 2022-2023 periods ▶ Return on capital employed (ROCE) of at least 11% in 2023
	0	36	0	0
	0	2,760	544	0
	20,020	**79,988**	**305,083**	**13,995**

(3) 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.

(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 319,622 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	1,333	November 17, 2021

6.5.4 c) Special report of the Managing Chairman

November 17, 2021 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 2021 to grant 319,622 rights to one new share of common stock to 1,613 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 Shareholders Meeting[1], adopted as announced on page 425 of the 2020 Universal Registration Document, 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 2020 and for 2023 must exceed the difference between the closing Stoxx Europe 600 indexes for these same years by at least 5 points;
- 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 reported the main impacts of its manufacturing operations using 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 until 2030. 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. The i-MEP must be below 88 points in 2023,
  - 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 (2021-2023 period) must exceed 1 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 2020 to 2021, from 2021 to 2022 and from 2022 to 2023 must be at least 8%,
  - total consolidated ROCE (including acquisitions, related goodwill and equity-accounted companies) measures the robustness of the Group's performance. It must be at least 11% in 2023.

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 accounting for 30%, the second criterion for 40% (20% per indicator) and the third criterion for 30% (15% per indicator).

(1) Please refer to pages 395 to 398 of the 2019 Universal Registration Document.

Fulfillment of performance conditions under performance share plans in effect in 2021

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 performance	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) 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 vested.

Note that the vesting period ended in November 2021 (with no lock-up period) for all grantees.

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 performance	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) 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 one of the performance conditions 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.

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	Results				Achievement rate
				2021 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%		+9.0 points			21%
			2019	2020	2021	Average	
Corporate social responsibility performance	Average change in the Michelin 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	-2.5 points	**-1.0 point**	10%
	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	-2.0 points	**0.3 points**	3%
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%	12.5%	**11.4%**	25%
TOTAL							**59%**

Given that the performance conditions were partially met, no more than 59% of the performance shares will vest.

Note that the vesting period will end in November 2023 (with no lock-up period) for all grantees.

INTERIM FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 13, 2020 PERFORMANCE SHARE PLAN FOR EMPLOYEES

Criteria[1]		Weighting	Interim results		
				2021 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%		+4.2 points	
			2020	**2021**	**2022**
Corporate social responsibility performance	Average change in the Michelin 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	-2.5 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	-2.0 points	-
Operating performance	Average annual **growth in revenue,** excluding tires and distribution, must be **at least 8%** over the 2019-2021 and 2021-2022 periods[2].	13%[1]	factored out	+1.7%	-
	Total consolidated **ROCE** (including acquisitions, related goodwill and equity-accounted companies) must be **at least 11%** in 2022.	20%	6.0%	10.3%	-

(1) The figures indicated are the results to be achieved to obtain 100% of the criteria.
(2) 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[1]		Weighting	Interim results		
				2021 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 (average daily price for the two years)	30%		+4.2 points	
			2020	**2021**	**2022**
Corporate social responsibility performance	Average change in the Michelin 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	-2.5 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	-2.0 points	-
Operating performance	Average annual **growth in revenue,** excluding tires and distribution, must be **at least 8%** over the 2019-2020, 2020-2021 and 2021-2022 periods	20%	-10.2%	+7.7%	-
	Total consolidated **ROCE** (including acquisitions, related goodwill and equity-accounted companies) must be **at least 11%** in 2022.	20%	6.0%	10.3%	

(1) The figures indicated are the results to be achieved to obtain 100% of the criteria.

INTERIM FULFILLMENT OF PERFORMANCE CONDITIONS UNDER THE NOVEMBER 17, 2021 PERFORMANCE SHARE PLAN FOR EMPLOYEES AND THE MANAGERS

Criteria[1]		Weighting	Interim results		
			2021 vs. 2020		
Share price performance	Michelin share price outperforms the Stoxx Europe 600 index by **at least 5 points**, comparing the average closing price in 2020 and in 2023 (average daily price for the two years)	30%	+11.3 points		
			2021	2022	2023
Corporate social responsibility performance	Industrial-Michelin Environmental Performance - i-MEP[2] must be below **88 points** in 2023	20%	92.6 points	-	-
	Change in average **employee engagement rate** must **exceed 1 point** a year on a like-for-like consolidated basis over the 2021-2023 period	20%	-2.0 points	-	-
Operating performance	Average annual **growth in revenue,** excluding tires and distribution, must be at least **8%** over the 2020-2021, 2021-2022 and 2022-2023 periods	15%	+7.7%	-	-
	Total consolidated **ROCE** (including acquisitions, related goodwill and equity-accounted companies) must be at least **11%** in 2023.	15%	10.3%	-	-

(1) The figures indicated are the results to be achieved to obtain 100% of the criteria
(2) Annual scope based on reported figures, including acquisitions from the fourth year of consolidation in the Group's financial statements.

Performance shares vested and delivered

Note that during 2021:

- the two Managers received 13,995 performance share rights (one received 8,397 and the other received 5,598);
- the two Managers received 8,993 fully vested performance shares (one received 5,314 and the other received 3,679);
- the 10 employees other than Managers who were granted the greatest number of share rights:
  - received 29,935 performance share rights,
  - received 29,356 fully vested performance shares.

Clermont-Ferrand, February 11, 2022

Florent Menegaux

Managing Chairman

6.5.5 EMPLOYEE SHARE OWNERSHIP

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 since 2002, a total of **62,118 Group employees** in almost 50 countries around the world are now shareholders. At December 31, 2021, they owned 1.7% of the Company's 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 June 23, 2020, 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 2020 (please refer to section 6.5.6 b) of the 2020 Universal Registration Document).

In addition, at the May 21, 2021 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.

At the Annual Shareholders Meeting on May 13, 2022, 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 13, 2022".

6.5.6 b) Transactions in the Company's shares in 2021

Under the share buyback program authorized by shareholders at the May 23, 2020 Annual Shareholders Meeting, the Company has entered into a share buyback agreement with a service provider and has carried out a buyback of 8,032 shares. These shares were allocated to Group employees as part of the Bib'Action 2020 program.

The Company no longer held any shares in treasury at December 31, 2021, as was the case at January 1, 2021.

6.5.6 c) Purpose of shares held in treasury at December 31, 2021

The Company held no shares in treasury at December 31, 2021.

6.5.6 d) Market value of treasury shares at December 31, 2021

No shares were held at December 31, 2021.

	Treasury shares bought back and sold during the year	
	Buybacks	**Sales/transfer**
Number of shares	-	-
Average transaction price per share *(in €)*	0	0
Average exercise price	N/A	N/A
Total cost of transactions *(in €)*	0	0

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, 2021.

6.5.7 DESCRIPTION OF THE SHARE BUYBACK PROGRAM SUBMITTED FOR SHAREHOLDER APPROVAL AT THE ANNUAL SHAREHOLDERS MEETING OF MAY 13, 2022

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 13, 2022.

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, directly or indirectly, in connection with employee rights issues;
- to maintain a liquid market for the Company's shares through a liquidity contract with an independent investment services provider, using the market practices authorized by the AMF on July 2, 2018;
- 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., 17,853,045 shares at the date of this report. Based on the maximum purchase price of €220.00 per share, this would correspond to a maximum theoretical amount of €3,927,669,900 (as adjusted if necessary for the effect of any stock split).

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. 22-10-62 et seq. and L.225-210 et seq. 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, 2021.

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 13, 2022 Annual Shareholders Meeting, i.e., until the close of trading on November 13, 2023.

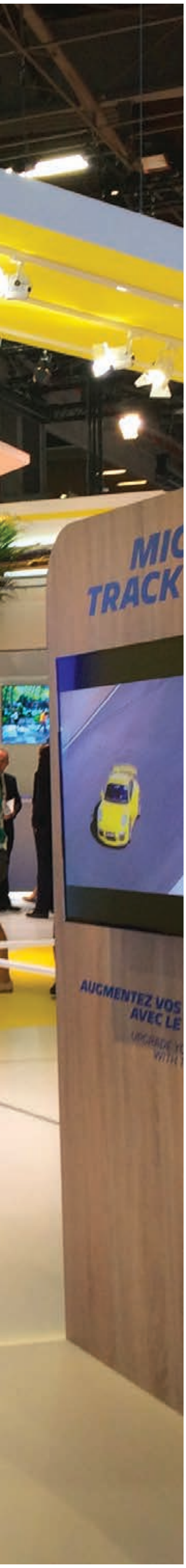
Effective as from the Annual Shareholders Meeting of May 13, 2022, this authorization would replace the similar authorization granted by shareholders at the Annual Shareholders Meeting of May 21, 2021.

07

ANNUAL SHAREHOLDERS MEETING OF MAY 13, 2022

+

The world's number one brand of premium tires, Michelin is committed to meeting its customers' expectations with ever greater precision. Dialogue and observation are central to our approach.


MIC
TRACK
AUGMENTEZ VOS
AVEC LE

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 efforts to clearly explain the content, rationale and import of the resolutions submitted for shareholder approval.

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 18TH RESOLUTIONS)

1st and 2nd resolutions

Approval of the Company's financial statements for the year ended December 31, 2021

Appropriation of net income for the year ended December 31, 2021 and approval of the recommended dividend

The 1st and 2nd resolutions concern the approval of the Company's 2021 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 €584,192,137.32.

After deducting €5,299,452.00 attributable to the General Partners in accordance with the Bylaws, the balance of €578,892,685.32 plus €2,459,215,554.28 in retained earnings brought forward from prior years represents a total of €3,038,108,239.60 available for distribution to shareholders.

We are recommending paying a dividend of €4.50 per share in respect of 2021.

In order to qualify for the dividend payment, beneficiaries must be shareholders of record at midnight (CEST) on May 18, 2022 (the record date).

The ex-dividend date will be May 17, 2022.

The dividend will be paid as from May 19, 2022.

If the ninth resolution *(Approval of the components of the compensation paid or awarded to Florent Menegaux for the year ended December 31, 2021)* is not approved by this Shareholders Meeting, the amount attributable to the General Partners referred to above will be added to the amount available for distribution, as provided for in Article 12.1 of the Bylaws, and will be appropriated to retained earnings, which will be increased to €2,240,020,666.60.

If the Company holds any of its own shares on the dividend payment date, the distributable profit corresponding to the unpaid dividend on these shares will also be appropriated to retained earnings.

First resolution
(Approval of the Company's financial statements for the year ended December 31, 2021)

Having considered the reports of the Chief Executive Officer, the Statutory Auditors and the Supervisory Board, the Ordinary Shareholders Meeting approves the Company's financial statements for the year ended December 31, 2021 which show net income for the period of €584,192,137.32.

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, 2021 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: €584,192,137.32;
- share of profits attributed to the General Partners in accordance with the Bylaws: €5,299,452.00;
- balance: €578,892,685.32;
- plus retained earnings brought forward from prior years: €2,459,215,554.28;
- total amount available for distribution: €3,038,108,239.60.

And resolves:

- to pay an aggregate dividend of: €803,387,025.00;
- representing €4.50 per share;
- to appropriate the balance of €2,234,721,214.60 to retained earnings.

The dividend will be paid as from May 19, 2022.

If the ninth resolution *(Approval of the components of the compensation paid or awarded to Florent Menegaux for the year ended December 31, 2021)* is not approved by this Shareholders Meeting, the amount attributable to the General Partners referred to above shall be added to the amount available for distribution, as provided for in Article 12.1 of the Bylaws, and shall be appropriated to retained earnings, which will be increased to €2,240,020,666.60.

If the Company holds any of its own shares on the dividend payment date, the distributable profit corresponding to the unpaid dividend on said shares shall be appropriated to retained earnings.

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% (thirty percent) flat tax (12.8% [twelve point eight percent] in respect of income tax and 17.2% [seventeen point two percent] 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 €)*
2018	665,436,238.40	3.70
2019	357,255,110.00	2.00
2020	410,182,197.80	2.30

* *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, 2021

The purpose of the 3rd resolution is to approve the consolidated financial statements for the year ended December 31, 2021, which show net income for the period of €1,845,067 thousand.

The 2021 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, 2021)

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, 2021, which show net income for the period of €1,845,067 thousand.

4th resolution

Related-party agreements

As no related-party agreements were entered into during 2021, 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 2021.

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 2021.

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 €220.

In the 5th resolution, shareholders are invited to renew the authorization granted to the Company to buy back its own shares over a period of 18 months. The maximum purchase price per share under this authorization would be €220.00 and the maximum number of shares purchased would not exceed 10% of the total shares outstanding at the time of the transaction(s).

The maximum purchase price per share has been raised in this authorization compared to the authorization given by the Shareholders Meeting of May 21, 2021, to take into account the growth in Michelin's share price in late 2021.

During 2021, the Company used the previous authorization to buy back 8,032 shares. For details of the buybacks, see section 6.5.6.2 of the 2021 Universal Registration Document.

The proposed authorization could not be used during a public offer period.

Fifth resolution

(Authorization for the Managers or either 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 €220.00)

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 either of them, in accordance with Articles L.22-10-62 *et seq.* and L.225-210 *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 €220.00 (two hundred and twenty 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, 2021, the maximum amount invested in the program would not exceed €3,927,669,900.00
(three billion, nine hundred and twenty-seven million, six hundred and sixty-nine thousand and nine hundred euros), corresponding to 10% (ten percent) of the Company's share capital or 17,853,045 (seventeen million, eight hundred and fifty-three thousand, and forty five) shares purchased at the maximum price of €220.00 (two hundred and twenty euros) per share, as adjusted if necessary for the effect of any stock split.

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 with an independent investment services provider, using the market practices authorized by the AMF on July 2, 2018;
- 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 either 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 Chair of the Supervisory Board has been submitted to the shareholders at the Annual Meeting and, since 2020, according to the method and on the basis specified in the PACTE Act that came into force that year.

The General Partners and the Supervisory Board, based on the recommendation of its Compensation and Appointments Committee, will ask the Annual Shareholders Meeting of May 13, 2022 to approve the 2022 Compensation Policy applicable to (i) the Managers and (ii) the Supervisory Board.

The 2022 Compensation Policy is described in the Corporate Governance Report presented in section 3.3 of the 2021 Universal Registration Document.

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

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 2021 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 2021 Universal Registration Document.

8th to 12th resolutions

Information about the compensation packages of the corporate officers and about the individual compensation paid or awarded to the Managers, the Chairman and the Chair of the Supervisory Board in 2021

In accordance with the applicable laws and regulations, at the Annual Shareholders Meeting, the General Partners and the Supervisory Board will submit to the Ordinary Shareholders Meeting the required disclosures concerning the compensation paid or awarded in 2021 to the Managers and the Supervisory Board.

In 2022, 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 2021 (8th resolution);
- components of the individual compensation paid or awarded to the Managers, the Chairman and the Chair of the Supervisory Board in 2021, in respect of their service during the year, i.e., to:
  - Florent Menegaux, General Partner and Managing Chairman (9th resolution),
  - Yves Chapot, General Manager (10th resolution),
  - Barbara Dalibard, Chair of the Supervisory Board since May 2021 (11th resolution),
  - Michel Rollier, Chairman of the Supervisory Board until May 2021 (12th resolution).

These compensation components have been determined in accordance with the principles described in the Compensation Policy presented in 2021 for that year in the Corporate Governance Report set out in section 3.4 of the 2020 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 3.4.6 of the Company's 2021 Universal Registration Document.

Ninth resolution

(Approval of the components of the compensation paid or awarded to Florent Menegaux for the year ended December 31, 2021)

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, 2021 or awarded in respect of that year to Florent Menegaux, General Partner and Managing Chairman, as presented in the Corporate Governance Report set out in section 3.5.3 of the Company's 2021 Universal Registration Document.

Tenth resolution

(Approval of the components of the compensation paid or awarded to Yves Chapot for the year ended December 31, 2021)

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, 2021 or awarded in respect of that year to Yves Chapot, General Manager, as set out in section 3.5.4 of the Company's 2021 Universal Registration Document.

Eleventh resolution

(Approval of the components of the compensation paid or awarded to Barbara Dalibard for the year ended December 31, 2021)

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, 2021 or awarded in respect of that year to Barbara Dalibard, Chair of the Supervisory Board from May 21, 2021, as set out in section 3.5.1 of the Company's 2021 Universal Registration Document.

Twelfth resolution

(Approval of the components of the compensation paid or awarded to Michel Rollier for the year ended December 31, 2021)

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, 2021 or awarded in respect of that year to Michel Rollier, Chairman of the Supervisory Board until May 21, 2021, as set out in section 3.5.2 of the Company's 2021 Universal Registration Document.

13th to 15th resolutions

Terms of office of Supervisory Board members

The 13th to 15th resolutions concern the re-election of Supervisory Board members.

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, Wolf-Henning Scheider 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 2021.

The Supervisory Board members perform their duties with total freedom of judgment.

A summary of the work carried out by the Supervisory Board in 2021 is included in section 3.2 of the Corporate Governance Report presented in the 2021 Universal Registration Document.

Michelin's General Partners do not take part in the election or re-election of Supervisory Board members

Compagnie Générale des Établissements 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 (89% 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 re-elect three Supervisory Board members

The Supervisory Board unanimously decided to recommend (with the interested parties abstaining) and to ask the Managing Chairman to propose to the Shareholders Meeting the re-election of Thierry Le Hénaff, Monique Leroux and Jean-Michel Severino (13th, 14th and 15th resolutions respectively).

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 May 13, 2022 Annual Shareholders Meeting and section 7.2.1 of the 2021 Universal Registration Document).

Thirteenth resolution

(Re-election of Thierry Le Hénaff as a member of the Supervisory Board)

Having considered the reports of the Managing Chairman and the Supervisory Board, the Ordinary Shareholders Meeting re-elects Thierry Le Hénaff 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, 2025.

Fourteenth resolution

(Re-election of Monique Leroux as a member of the Supervisory Board)

Having considered the reports of the Managing Chairman and the Supervisory Board, the Ordinary Shareholders Meeting re-elects Monique Leroux 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, 2025.

Fifteenth resolution

(Re-election 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 re-elects Jean-Michel Severino 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, 2025.

16th resolution

Supervisory Board compensation

The Managing Chairman is presenting to the Annual Shareholders Meeting a resolution proposed by the Supervisory Board to increase the total compensation paid to the Supervisory Board to €950,000.00 per year.

In order to take into account, in particular, the increase in the number of members of the Supervisory Board (with the election of two additional members) and the creation of a new committee (Corporate Social Responsibility Committee – CSR Committee), the Compensation and Appointments Committee recommended that the Supervisory Board ask the Shareholders Meeting to approve an increase in the total compensation paid to the members of the Supervisory Board[(1)].

Sixteenth resolution

(Supervisory Board compensation)

Having considered the reports of the Chief Executive Officer and the Supervisory Board, the Ordinary Shareholders Meeting sets at €950,000.00 (nine hundred and fifty thousand euros), the total annual compensation awarded to the Supervisory Board, effective from the financial year beginning on January 1, 2022.

17th to 18th resolutions

Terms of office of the Statutory Auditors

The purpose of the seventeenth and eighteenth resolutions is to re-appoint the Company's Statutory Auditors.

The Audit Committee, in consultation with the Group, considered whether the current Statutory Auditors should be re-appointed when their appointments expire at the Shareholders Meeting called to approve the 2021 financial statements.

In line with the recommendation made by the Audit Committee and in consideration of the quality of the Statutory Auditors' work, the Supervisory Board decided to recommend that the Annual Shareholders Meeting of May 13, 2022:

- renew the appointment as Statutory Auditor of PricewaterhouseCoopers Audit, represented by Jean-Christophe Georghiou, for a period of six years;
- renew the appointment as Statutory Auditor of Deloitte & Associés, represented by Frédéric Gourd, for a period of six years;
- not renew the appointment of their substitutes, as companies are no longer required to appoint a substitute if the Statutory Auditor is not an individual or a one-person firm.

Just as for the election or re-election of members of the Supervisory Board, the General Partners do not take part in the process to appoint or re-appoint the Statutory Auditors.

The appointment review process is described in the report of the Supervisory Board on the proposed resolutions (see the Notice of Meeting for the May 13, 2022 Annual Shareholders Meeting and section 7.2.2 of the 2021 Registration Document).

Seventeenth-resolution

(Appointment of a Statutory Auditor)

Having considered the report of the Supervisory Board and noted that the appointments of PricewaterhouseCoopers Audit as Statutory Auditor and Jean-Baptiste Deschryver as Substitute Auditor are due to expire, the Ordinary Shareholders Meeting resolves:

- to renew the appointment of PricewaterhouseCoopers Audit, 63, rue de Villiers, 92208 Neuilly-sur-Seine, as Statutory Auditor for a period of six years expiring at the close of the Annual Shareholders Meeting called to approve the financial statements for the year ending December 31, 2027;
- not to renew the appointment as Substitute Auditor of Jean-Baptiste Deschryver, 63 rue de Villiers, 92208 Neuilly-sur-Seine, as the appointment of a substitute auditor is no longer required if the Statutory Auditor is not an individual or a one-person firm.

(1) Additional information in support of the proposed increase is set out in the report of the Supervisory Board on the proposed resolutions (see the Notice of Meeting for the May 13, 2022 Annual Shareholders Meeting and section 7.2.3 of the 2021 Registration Document).

Eighteenth-resolution
(Appointment of a Statutory Auditor)

Having considered the report of the Supervisory Board and noted that the appointments of Deloitte & Associés as Statutory Auditor and of B.E.A.S as Substitute Auditor are due to expire, the Ordinary Shareholders Meeting resolves:

- to renew the appointment of Deloitte & Associés, 6 place de la Pyramide, 92908 Paris-La-Défense as Statutory Auditor, for a period of six years, expiring at the end of the Annual Shareholders Meeting called to approve the financial statements for the year ending December 31, 2027;
- not to renew the appointment as Substitute Auditor of B.E.A.S., 6, place de la Pyramide, 92908 Paris-La Défense, as the appointment of a substitute auditor is no longer required if the Statutory Auditor is not an individual or a one-person firm.

7.1.2 EXTRAORDINARY RESOLUTIONS (19TH TO 30TH RESOLUTIONS)

The 19th to 28th resolutions concern authorizations for the Managers to make certain decisions to issue shares and securities carrying rights to shares. The purpose of these financial authorizations is to give the Company the necessary flexibility to choose the type and timing of the issues, based on the Company's needs, the conditions prevailing in the French or international markets and the opportunities arising in those markets.

The resolutions fall into two main categories: issues with pre-emptive subscription rights and issues without pre-emptive subscription rights.

In the case of a share issue, shareholders automatically have a pre-emptive subscription right, exercisable pro rata to their interest in the Company's capital during a period of at least five trading days from the opening of the subscription period. These pre-emptive subscription rights are detachable and negotiable.

For some of the financial resolutions, the Managers are seeking an authorization to cancel these pre-emptive subscription rights to enable them to decide to issue certain types of securities, notably when speed is of the essence to place the securities on the best possible terms.

The authorizations sought by the Managers are in line with standard practice in France.

These authorizations would be given for a fixed period and would be subject to monetary ceilings, beyond which any further share issues would have to be authorized by a new extraordinary shareholder resolution. The main ceilings are as follows:

- a blanket ceiling of €125 million (excluding premiums), i.e., less than 35% of the Company's share capital at December 31, 2021, that is common to all issues of shares and/or securities carrying rights to shares; and
- a sub-ceiling of €35 million (excluding premiums), i.e., less than 10% of the Company's share capital at December 31, 2021, that is common to all issues of shares and/or securities carrying rights to shares without pre-emptive subscription rights.

In addition to these limits, the 19th to 25th resolutions could not be used in the event of a public offer made by a third party for the Company's shares.

The financial authorizations given in resolutions 16 to 21 of the Shareholders' Meeting of June 23, 2020 have not been used.

The 29th resolution concerns a stock split (described in detail in the presentation of this resolution) and the 30th resolution is an authorization to carry out formalities.

19th resolution

Authorization for the Managers, or either of them, to issue shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders

In the 19th resolution, shareholders are invited to authorize the Managers to increase the Company's capital by issuing ordinary shares and/or other equity securities carrying rights to other equity securities, or other securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders. Note that the authorization could not be used while a public offer for the Company's shares was in progress.

The aggregate par value of shares issued under this authorization would not exceed €125,000,000.00 (one hundred and twenty-five million euros), representing close to 35% of the Company's current share capital, and the aggregate nominal value of debt securities issued with immediate or deferred rights to shares would be capped at €2,500,000,000.00 (two billion five hundred million euros).

This new resolution renews the authorization given at the Annual Shareholders Meeting of June 23, 2020 (16th resolution), which has not been used.

The blanket ceiling on the issuance of shares, other equity securities or other securities carrying rights to shares, with or without pre-emptive subscription rights, is set in the 27th resolution.

Nineteenth resolution

(Authorization for the Managers, or either of them, to issue shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares, with pre-emptive subscription rights for existing shareholders)

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Article L. 225-129-2 and Articles L. 22-10-49 and L. 228-91 *et seq.*:

- to authorize the Managers, or either of them, to decide, except while a public offer for the Company's shares is in progress, to carry out one or several issues of shares of the Company and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares with pre-emptive subscription rights. The issues may be carried out in France or abroad, be denominated in euros, foreign currency or any monetary unit determined by reference to a basket of currencies, and be paid up in cash or by capitalizing certain liquid and callable debts, or, in whole or in part, by capitalizing reserves, net income or additional paid-in capital;
- that:
  - the aggregate par value of the shares issued under this authorization, either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares, shall not exceed €125,000,000.00 (one hundred and twenty-five million euros), representing around 35% (thirty-five percent) of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares;
  - the securities carrying rights to shares to be issued under this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares;
  - the aggregate nominal amount of debt securities carrying rights to shares issued under this authorization shall not exceed €2,500,000.000.00 (two billion five hundred million euros) or the equivalent at the issue date in a foreign currency or a monetary unit determined by reference to a basket of currencies;
  - shareholders shall have a pre-emptive right to subscribe the securities and/or debt securities issued under this authorization, pro rata to their existing shareholdings. The Managers or either of them may also give shareholders a pre-emptive right to subscribe any shares and/or securities not taken up by other shareholders. In this case, if the issue is oversubscribed, this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned;
  - if the entire issue is not taken up by shareholders exercising their pre-emptive rights, the Managers or either of them may take one or more of the following courses of action, in the order of their choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up, (ii) freely allocate all or some of the unsubscribed securities among the investors of its choice, or (iii) offer them for subscription by the public in the French market and/or a foreign market and/or the international market;
  - that for any issues of stock warrants, the Managers, or either of them, shall have the authority to determine the number and characteristics of the warrants and to decide, at their discretion and on the terms and conditions that they shall determine, that the warrants may be redeemable or callable, or that they shall be allocated without consideration to shareholders pro rata to their interests in the Company's capital;
  - the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s), timing, price(s) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s), as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of their choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, enter into any and all agreements for the purpose of completing the issue(s), and (vii) charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

20th resolution

Authorization for the Managers, or either of them, to issue shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares through a public offer not governed by Article L.411-2, paragraph 1, of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders

The 20th resolution concerns the issuance of ordinary shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares without pre-emptive subscription rights for existing shareholders. Note that the authorization could also not be used while a public offer for the Company's shares was in progress.

In all cases, the issue price of the shares would be at least equal to the weighted average price quoted for the Company's shares over the last three trading sessions preceding the opening of the offer period, less a discount of no more than 10% (ten percent).

The aggregate par value of shares issued under this authorization would not exceed €35,000,000.00 (thirty-five million euros), representing less than 10% of the current share capital, and the aggregate nominal value of securities carrying immediate or deferred rights to shares would be capped at €2,500,000,000.00 (two billion five hundred million euros).

This resolution renews the authorization given at the Annual Shareholders Meeting of June 23, 2020 (17th resolution), which has not been used.

The blanket ceiling on issues of shares and equity securities or other securities carrying rights to shares, with or without pre-emptive subscription rights, is set in the 27th resolution.

Twentieth resolution

(Authorization for the Managers, or either of them, to issue shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares through a public offer not governed by Article L. 411-2, paragraph 1, of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders)

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq.* of the French Commercial Code – notably Articles L. 225-135, L. 225-136, and Articles L. 22-10-49, L. 22-10-51, L. 22-10-52 and L. 228-91 *et seq.*:

- to authorize the Managers, or either of them, to decide, except while a public offer for the Company's shares is in progress, to carry out one or several issues of shares of the Company and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares without pre-emptive subscription rights, through a public offer not governed by Article L. 411-2, paragraph 1, of the French Monetary and Financial Code. The issues may be carried out in France or abroad, be denominated in euros, foreign currency or any monetary unit determined by reference to a basket of currencies, and be paid up in cash or by capitalizing certain liquid and callable debts, or, in whole or in part, by capitalizing reserves, net income or additional paid-in capital;
- that:
  - the aggregate par value of the shares issued under this authorization either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares shall not exceed €35,000,000.00 (thirty-five million euros), representing less than 10% of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares;
  - the securities carrying rights to securities to be issued under this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares;
  - the aggregate nominal amount of debt securities carrying rights to shares issued under this authorization shall not exceed €2,500,000,000.00 (two billion five hundred million euros) or the equivalent in a foreign currency or a monetary unit determined by reference to a basket of currencies;
  - shareholders shall not have a pre-emptive right to subscribe the securities issued under this authorization;
  - if the issue of shares, other equity securities or other securities is not taken up in full, the Managers or either of them may take one or more of the following courses of action, in the order of their choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up, (ii) freely allocate all or some of the unsubscribed securities among the investors of its choice, or (iii) offer all or some of the unsubscribed securities for subscription by the public;
  - that (i) the issue price of the shares shall be at least equal to the minimum price specified in Articles L. 22-10-52 and R. 22-10-32 of the French Commercial Code, as applicable on the issue date (currently, the weighted average of the prices quoted over the three trading days preceding the opening of the offer period, less a discount of no more than 10% (ten percent)), and (ii) the issue price of securities carrying rights to shares shall be set in such a way that the amount received by the Company at the issue date plus the amount to be received on conversion, exchange, redemption or exercise of said securities shall be, for each share issued, at least equal to the minimum price defined in point (i) above;
  - the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s), timing, price(s) (within the above limits) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the

international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s), as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of their choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, enter into any and all agreements for the purpose of completing the issue(s), and (vii) charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

21st resolution

Authorization for the Managers, or either of them, to issue shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares through an offer governed by Article L. 411-2, paragraph 1, of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders

Following adoption of the 20th resolution, the purpose of the 21st resolution is to submit to a separate vote by shareholders a proposed authorization for the Managers or either of them to issue shares and/or securities carrying rights to shares through offers governed by paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code (*Code monétaire et financier*). This authorization could not be used during a public offer period.

This authorization would give the Company the necessary flexibility to rapidly raise funds from qualified investors.

The securities would be placed exclusively with the categories of investors specified in paragraph 1 of Article L.411-2 of the French Monetary and Financial Code, i.e., (i) qualified investors or restricted groups of investors, provided that they are investing on their own behalf.

This resolution renews the authorization given at the Annual Shareholders Meeting of June 23, 2020 (18th resolution), which has not been used.

Twenty-first resolution

(Authorization for the Managers or either of them to issue shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares through an offer governed by Article L. 411-2, paragraph 1, of the French Monetary and Financial Code, without pre-emptive subscription rights for existing shareholders)

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129 *et seq*. of the French Commercial Code – notably Articles L. 225-135, L. 225-136 and, L. 22-10-49, L. 22-10-52 and L. 228-91 *et seq.* – and paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code:

- to authorize the Managers, or either of them, to decide, except while a public offer for the Company's shares is in progress, to carry out one or several issues of shares of the Company and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares without pre-emptive subscription rights, through an offer governed by Article L. 411-2, paragraph 1, of the French Monetary and Financial Code. The issues may be carried out in France or abroad, be denominated in euros, foreign currency or any monetary unit determined by reference to a basket of currencies, and be paid up in cash or by capitalizing certain liquid and callable debts, or, in whole or in part, by capitalizing reserves, net income or additional paid-in capital;
- that:
  - the aggregate par value of the shares issued under this authorization either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares shall not exceed €35,000,000.00 (thirty-five million euros), representing less than 10% of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations, or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares,
  - the securities carrying rights to securities to be issued under this authorization may notably consist of equity securities and/or debt securities or equity- or debt-linked securities or securities allowing the issue of intermediate debt securities. They may take the form of dated or undated, subordinated or unsubordinated notes. However, this authorization may not be used to issue preference shares or securities with immediate or deferred rights to preference shares,
  - the aggregate nominal amount of debt securities issued under this authorization shall not exceed €2,500,000,000.00 (two billion five hundred million euros) or the equivalent at the issue date in a foreign currency or a monetary unit determined by reference to a basket of currencies,

- issues of shares and securities carried out pursuant to this authorization shall be included in the ceilings for such issues set in the twentieth resolution of this Meeting,
- shareholders shall not have a pre-emptive right to subscribe the securities issued under this authorization,
- if the issue of shares, other equity securities or other securities is not taken up in full, the Managers or either of them may take one or more of the following courses of action, in the order of their choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up, (ii) freely allocate all or some of the unsubscribed securities among the investors of its choice, or (iii) offer all or some of the unsubscribed securities for subscription by the public,
- (i) the issue price of the shares shall be at least equal to the minimum price specified in Articles L.22-10-52 and R.22-10-32 of the French Commercial Code, as applicable on the issue date (currently, the weighted average of the prices quoted over the three trading days preceding the opening of the offer period, less a discount of no more than 10% (ten percent)), and (ii) the issue price of securities carrying rights to shares shall be set in such a way that the amount received by the Company at the issue date plus the amount to be received on conversion, exchange, redemption or exercise of said securities shall be, for each share issued, at least equal to the minimum price defined in point (i) above;
- the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount(s), timing, price(s) (within the above limits) and other terms and conditions of the issue(s), which may be carried out on one or more occasions in France and/or abroad and/or in the international market, (ii) suspend any issue(s) where appropriate, (iii) determine the issue date(s), subscription period(s) and cum-rights date(s), as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on the markets of their choice, (v) place on record the amount of the capital increase(s) resulting from the share issues, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, enter into any and all agreements for the purpose of completing the issue(s), and (vii) charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each issue.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

22nd resolution

Authorization for the Managers or either of them, for issues of shares and/or securities carrying rights to shares representing up to 10% of the capital in any 12-month period without pre-emptive subscription rights pursuant to the twentieth and twenty-first resolutions, to set the issue price by the method decided by the Shareholders Meeting

The purpose of the 22nd resolution is to authorize the Managers not to apply the minimum pricing rules specified in the applicable regulations, for issues of shares or securities carrying rights to ordinary shares, representing up to 10% of the capital in any 12-month period, of the Company without pre-emptive subscriptions rights carried out pursuant to the 20th and 21st resolutions.

The purpose of this authorization is to enable the Company to raise funds under the best possible conditions in a context of highly volatile financial markets.

Under this authorization, the issue price of the shares would be at least equal to either of the following two amounts, at the option of the Managers: (i) the volume-weighted average share price for the last trading session preceding the pricing date; or (ii) the volume-weighted average share price for the trading session when the issue price is set; in both cases less a discount of no more than 10%.

The aggregate amount by which the capital could be increased (excluding premiums) under this authorization would be capped at the equivalent of 10% of the capital and the securities issued pursuant to this resolution would be included in the ceilings provided for in the two proposed resolutions referred to above, and also in the blanket ceiling set in the 27th resolution. This resolution could not be used while a public offer for the Company's shares was in progress.

Twenty-second resolution

Authorization for the Managers or either of them, for issues of shares and/or securities carrying rights to shares representing up to 10% of the capital in any 12-month period without pre-emptive subscription rights pursuant to the twentieth and twenty-first resolutions, to set the issue price by the method decided by the Shareholders Meeting

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Articles L. 225-136, paragraph 1-2 and L. 22-10-52 of the French Commercial Code:

- to authorize the Managers, or either of them, except while a public offer for the Company's shares is in progress, for share issues without pre-emptive subscription rights carried out pursuant to the twentieth and twenty-first resolutions of this Shareholders Meeting, to set the issue price according to the following conditions:

- that the amount is at least equal to (i) the volume-weighted average share price on the Euronext Paris regulated market for the last trading session preceding the pricing date; or (ii) the volume-weighted average share price on the Euronext Paris regulated market for the trading session when the issue price is set; in both cases less a discount of no more than 10%,
- that the issue price of securities carrying rights to shares and the number of shares to be issued on conversion, exchange, redemption or exercise of each security carrying rights to shares shall be set in such a way that the amount received by the Company at the issue date of the securities plus the amount to be received for each share issued on conversion, exchange, redemption or exercise of said securities shall be at least equal to the minimum price defined above;

- that, in accordance with the law, the aggregate amount of share issues (excluding premiums) that may be carried out immediately or in the future pursuant to this authorization shall not exceed 10% (ten percent) of the share capital per 12-month period (with aggregate issuance in relation to this limit determined as of the date on which the issue price of the shares and/or securities carrying rights to shares is set), and said aggregate amount shall be included in the ceilings set in the twentieth and twenty-first resolutions of this Meeting. These ceilings shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations and contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares;
- that the securities with rights to shares issued under this authorization may consist of debt securities or debt-linked securities, or securities allowing the issue of intermediate debt securities. The aggregate nominal amount of debt securities issued immediately or in the future under this authorization shall not exceed €2,500,000,000.00 (two billion five hundred million euros) or the equivalent in any other currency and shall be included in the ceilings on debt issues set in the twentieth and twenty-first resolutions of this Meeting;
- that, if this authorization is used by the Managers or either of them, they shall issue an additional report, certified by the Statutory Auditors, describing the final terms of the transaction and providing information to assess the actual impact on the shareholder's situation;
- that this authorization is given for a period of 26 months, as from the date of this Meeting.

23rd resolution

Authorization for the Managers or either of them to increase the number of securities to be issued in the event that an issue, with or without pre-emptive subscription rights, is oversubscribed

The purpose of the 23rd resolution is to authorize the Managers or either of them to increase the number of securities to be issued in the event that an issue carried out under the 19th, 20th, 21st or 22nd resolutions is oversubscribed. It could not be used during a public offer period.

The additional securities would not exceed 15% of the original issue and would be offered at the same price as for the original issue. They would be included in the ceilings set in the resolution concerned.

This resolution renews the authorization given at the Annual Shareholders Meeting of June 23, 2020 (19th resolution), which has not been used.

Twenty-third resolution

(Authorization for the Managers or either of them to increase the number of securities to be issued in the event that an issue, with or without pre-emptive subscription rights, is oversubscribed)

Having considered the Managing Chairman's report, the Statutory Auditors' special report and the report of the Supervisory Board, and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves, in accordance with Article L. 225-135-1 of the French Commercial Code:

- to authorize the Managers or either of them to increase the number of shares and/or securities carrying rights to shares issued with or without pre-emptive subscription rights under the nineteenth, twentieth, twenty-first and twenty-second resolutions of this Shareholders Meeting. Any such additional shares and/or other securities (i) shall be issued within 30 (thirty) days of the end of the subscription period for the original issue, (ii) shall not represent more than 15% (fifteen percent) of the original issue, (iii) shall be offered at the same price as for the original issue, and (iv) shall be included in the respective ceilings set in the nineteenth, twentieth, twenty-first and twenty-second resolutions.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

24th resolution

Authorization for the Managers or either of them to increase the Company's capital by capitalizing reserves, income or additional paid-in capital

The purpose of the 24th resolution is to authorize the Managers or either of them, to increase the Company's capital by up to €80,000,000.00 (eighty million euros) by capitalizing reserves or additional paid-in capital. Note that the authorization could not be used while a public offer for the Company's shares was in progress.

This authorization renews the authorization given at the Annual Shareholders Meeting of June 23, 2020 (20th resolution), which has not been used.

Twenty-fourth resolution

(Authorization for the Managers or either of them to increase the Company's capital by capitalizing reserves, income or additional paid-in capital)

Having considered the reports of the Managing Chairman and the Supervisory Board, and having noted the approval of both of the General Partners, the Ordinary Shareholders Meeting resolves, in accordance with Articles L. 225-129, L. 225-130 and L. 22-10-50 of the French Commercial Code:

- to authorize the Managers or either of them to increase the Company's capital, on one or more occasions except during a public offer period, by a maximum of €80,000,000.00 (eighty million euros) by issuing bonus shares and/or raising the par value of existing shares, to be paid up by capitalizing reserves, income or additional paid-in capital. This amount shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations and contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares. This amount shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations and contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares;
- that if new shares are issued, the Managers or either of them shall be authorized to decide that rights to fractions of shares shall be non-transferable and non-tradable and that the corresponding shares shall be sold in accordance with Articles L. 225-130 and L.22-10-50 of the French Commercial Code. In such a case, the sale proceeds shall be allocated among the rights holders within 30 days of the date when the whole number of shares allotted to them is recorded in their securities account;
- that the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) determine the timing and terms and conditions of the capital increase(s), (ii) determine the subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up shares, (iii) apply for the listing of the new shares on any market chosen by them, (iv) place on record the amount of the capital increase(s) resulting from the issue of shares, (v) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each capital increase.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

25th resolution

Authorization for the Managers or either of them to increase the Company's capital by issuing ordinary shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets

The 25th resolution concerns issues of shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets.

Shares issued in payment of contributed assets would be limited to the equivalent of 10% of the Company's capital and would be included in the ceiling specified in the 20th resolution.

This resolution renews the authorization given at the Annual Shareholders Meeting of June 23, 2020 (21st resolution), which has not been used.

Twenty-fifth resolution

(Authorization for the Managers or either of them to increase the Company's capital by issuing ordinary shares, without pre-emptive subscription rights for existing shareholders, in connection with a stock-for-stock offer or in payment of contributed assets)

Having considered the reports of the Managing Chairman and the Supervisory Board and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to authorize the Managers or either of them to issue ordinary shares, except while a public offer for the Company's shares is in progress:
  - in connection with a stock-for-stock offer carried out in accordance with Article L. 22-10-54 of the French Commercial Code; or
  - as payment for shares or securities carrying rights to shares of another company contributed to the Company in transactions not governed by Article L. 22-10-54 of the French Commercial Code, in which case the number of shares issued shall be based on the report of the Expert Appraiser of Capital Contributions *(Commissaire aux apports)* and shall not exceed 10% (ten percent) of the Company's capital.

  The aggregate par value of shares issued under this authorization shall be included in the ceiling specified in the twentieth resolution of this Meeting;
- that the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) determine the timing and terms and conditions of the capital increase(s), (ii) determine the subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up shares, (iii) approve the value attributed to the acquired stock, (iv) apply for the listing of the new shares on any market chosen by them, (v) place on record the amount of the capital increase(s) resulting from the issue of shares, (vi) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% of the new capital after each capital increase.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

26th resolution

Authorization for the Managers or either of them to carry out a rights issue for members of a Group employee shareholder plan and/or restricted share issues, without pre-emptive subscription rights for existing shareholders

The 26th resolution concerns rights issues for employees who are members of a Group employee shareholder plan. The issues would be limited to an aggregate par value of €7,100,000.00 (seven million one hundred thousand euros), representing around 2% of the Company's current share capital.

This authorization would replace, with the same ceiling, the authorization granted for the same purpose at the Annual Shareholders Meeting of June 23, 2020 (22nd resolution), which was used to launch an employee shareholder plan in 2020.

Twenty-sixth resolution

(Authorization for the Managers or either of them to carry out a rights issue for members of a Group employee shareholder plan and/or restricted share issues, without pre-emptive subscription rights for existing shareholders)

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 both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to authorize the Managers or either of them, pursuant to Articles L. 3332-18 *et seq.* of the French Labor Code (*Code du travail*) and Articles L. 225-129-6 and L. 225-138-1 of the French Commercial Code, to carry out one or more rights issues for members of an employee shareholder plan of the Company or of French or foreign related companies within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code;
- that:
  - existing shareholders shall waive their pre-emptive right to subscribe any shares to be issued under this authorization,
  - the aggregate par value of shares issued under this authorization shall not exceed €7,100,000.00 (seven million one hundred thousand euros), representing less than 2% (two percent) of the Company's current share capital. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares,
  - the issue price of the shares offered under this authorization shall be set by the Managers or either of them in accordance with Article L. 3332-19 of the French Labor Code and shall not reflect a discount of more than 30% (thirty percent) on the average of the opening prices quoted for the Company's shares on Euronext Paris over the 20 trading days preceding the date on which the opening date of the subscription period is decided. The Managers or either of them may reduce or cancel this discount if appropriate, in order to take into account, inter alia, locally applicable tax, labor law or accounting restrictions,
  - employees may be given free shares in place of the discount, in accordance with Article L. 3332-21 of the French Labor Code,
  - the Managers or either of them may also decide that employer matching payments will be made in the form of free shares or securities with rights to shares instead of cash, subject to the limits set out in Article L. 3332-21 of the French Labor Code,
  - the Managers or either of them shall have full powers – which may be delegated in accordance with the applicable laws and regulations – to use this authorization, including to (i) set the characteristics, amount, and terms and conditions of the issue(s), (ii) determine whether the shares will be purchased directly by employees or through a corporate mutual fund, (iii) set the issue date(s), subscription period(s) and cum-rights date(s) as well as the method and timeframe for paying up the shares, (iv) apply for the listing of the new shares on any markets chosen by them, (v) set any length-of-service conditions to be met by beneficiaries, (vi) place on record the amount of the capital increase(s) resulting from the rights issues, (vii) carry out – directly or through a representative – all operations and formalities related to the capital increase(s) and, at their discretion, charge the costs of the capital increase(s) against the related premiums and deduct from the premiums the amounts necessary to increase the legal reserve to 10% (ten percent) of the new capital after each issue.

In accordance with the applicable legal and regulatory provisions, the authorization provided for in this resolution shall also cover sales of shares to members of a Group employee shareholder plan.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

27th resolution

Blanket ceilings on issues of shares, securities carrying rights to shares or debt securities

The purpose of the 27th resolution is to set a blanket ceiling of €125,000,000.00 (one hundred and twenty five million euros) – or the equivalent of close to 35% of the Company's current capital – on share issues carried out pursuant to the 19th, 20th, 21st, 22nd, 23rd and 25th resolutions.

It also sets at €2,500,000,000.00 (two billion five hundred million euros) the blanket ceiling on issues of debt securities carrying immediate or deferred rights to shares carried out pursuant to the 19th, 20th, 21st, 22nd and 23rd resolutions.

This resolution renews the ceilings set by the Annual Shareholders Meeting of June 23, 2020 (23rd resolution, which has not been used).

Twenty-seventh resolution

(Blanket ceilings on issues of shares, securities carrying rights to shares and debt securities)

Having considered the reports of the Managing Chairman and the Supervisory Board and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- that:
  - the aggregate par value of shares issued under the nineteenth, twentieth, twenty-first, twenty-second, twenty-third and twenty-fifth resolutions, either immediately or on conversion, exchange, redemption or exercise of securities carrying rights to shares, shall not exceed €125,000,000.00 (one hundred and twenty-five million euros), representing less than 35% of the Company's capital as of the date of this Meeting. This ceiling shall not include the par value of any additional shares to be issued in accordance with the applicable laws, regulations or contractual provisions in order to protect the rights of existing holders of securities carrying rights to shares or of other rights to the Company's shares,
  - the aggregate nominal amount of debt securities carrying immediate or deferred rights to shares, issued under the nineteenth, twentieth, twenty-first, twenty-second and twenty-third resolutions of this Shareholders Meeting shall not exceed €2,500,000,000.00 (two billion five hundred million euros) or the equivalent in foreign currency or a monetary unit determined by reference to a basket of currencies.

This authorization shall be valid for a period of 26 months from the date of this Meeting. It supersedes any authorization previously granted for the same purpose.

28th resolution

Authorization for the Managers to reduce the Company's capital by canceling shares

In the 28th resolution, shareholders are invited to authorize the Managers, or either 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 replaces the authorization given for the same purpose at the Annual Shareholders Meeting of May 21, 2021 (14th resolution), which was not used in 2021.

Twenty-eighth resolution

(Authorization for the Managers or either 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 either 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 either 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.

29th resolution

Four-for-one stock split

The 29th extraordinary resolution presented at this Shareholders Meeting concerns a proposed four-for-one stock split, which would reduce the par value of the share from €2.00 (two euros) to €0.50 (fifty cents) and lead to a four-fold increase in the number of shares.

The purpose of this proposed stock split is to:

- help to further diversify the shareholder base and contribute to increasing the amounts invested by employees in Michelin shares;
- create a more liquid market for the Company's shares.

The reduction in par value would be effective on a date to be set by the Managers within 12 months of this Shareholders Meeting and would have no impact on the double voting rights attached to shares in application of the Company's Bylaws.

Twenty-ninth resolution
(Four-for-one stock split)

Having considered the reports of the Managing Chairman and the Supervisory Board and having noted the approval of both of the General Partners, the Extraordinary Shareholders Meeting resolves:

- to carry out a four-for-one stock split;
- that the par value of each share shall be reduced from € 2.00 (two euros) to €0.50 (fifty cents), and consequently:
  - that the number of outstanding shares will be multiplied by four, without affecting the amount of the Company's share capital;
  - that each share with a par value of €2.00 (two euros) making up the share capital on the date of the stock split shall be replaced ipso jure by four shares with a par value of €0.50 (fifty cents), without this exchange resulting in any novation in the existing relations between the Company on the one hand, and its shareholders and any holders of rights or securities carrying rights to the Company's capital on the other hand;
- that the stock split and the corresponding allocation of new shares to shareholders shall have no effect on the rights attached to the shares as provided for in the Company's Bylaws, and that the new shares shall confer the same rights on their holders as the old shares for which they will be substituted, in particular for shares that have been registered in the name of the same holder for at least two years, which shall continue to confer double voting rights on their holders;
- that the Managers or either of them shall have full powers – which may be delegated in accordance with the law – to:
  - set the effective date of the stock split, which shall take place within 12 (twelve) months of the date of this Shareholders Meeting,
  - determine the exact number of new shares with a par value of €0.50 (fifty cents) to be issued based on the number of shares with a par value of €2.00 (two euros) outstanding at date of the stock split and deliver the new shares in exchange for the old shares,
  - make any and all adjustments required by the stock split, in particular adjustment of the number of share rights allocated to certain employees and corporate officers prior to the stock split,
  - amend Article 6 – Share Capital of the Bylaws, and
  - carry out, directly or through an agent, all operations and formalities that may be useful or necessary for the implementation of this decision.

30th resolution

Powers to carry out formalities

The purpose of the 30th resolution is to give powers to carry out the formalities related to the Annual Shareholders Meeting.

Thirtieth 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)*
Issuance of shares and/or securities carrying rights to shares, with pre-emptive subscription rights (19th resolution)	shares: €125 million (close to 35% of issued capital) debt securities: €2.5 billion	26 months *(July 2024)*
Issuance of shares and/or securities carrying rights to shares, through a public offer, without pre-emptive subscription rights (20th resolution)	shares: €35 million (less than 10% of issued capital) debt securities: €2.5 billion	26 months *(July 2024)*
Issuance of shares and/or securities carrying rights to shares through an offer governed by paragraph 1 of Article L. 411-2 of the French Monetary and Financial Code (*Code monétaire et financier*), without pre-emptive subscription rights (21st resolution)	shares: €35 million (less than 10% of issued capital)(1) debt securities: €2.5 billion(1)	26 months *(July 2024)*
Determination of the issue price of shares to be issued without pre-emptive subscription rights under the 20th and 21st resolutions (22nd resolution)	shares: €35 million (less than 10% of issued capital)(1) debt securities: €2.5 billion(1)	26 months *(July 2024)*
Authorization to increase the number of shares issued in the event that an issue (with or without pre-emptive subscription rights) is oversubscribed (23rd resolution)	15% of the original issue(2)	26 months *(July 2024)*
Issuance of new shares paid up by capitalizing reserves, income or additional paid-in capital (24th resolution)	€80 million	26 months *(July 2024)*
Issuance of shares for a stock-for-stock offer or in payment for contributed assets (25th resolution)	€35 million (less than 10% of issued capital)(1)	26 months *(July 2024)*
Employee rights issue (26th resolution)	€7.1 million (less than 2% of issued capital)	26 months *(July 2024)*
Blanket ceilings on all the authorizations to issue shares and debt securities carrying rights to shares (except for share issues carried out under the 24th and 26th resolutions) (27th resolution)	shares: €125 million (close to 35% of issued capital) debt securities: €2.5 billion	26 months *(July 2024)*
Capital reduction by canceling shares (28th resolution)	10% of the issued capital	24 months *(May 2024)*
Share buyback program (5th resolution)	17.9 million shares at a maximum price of €220 per share	18 months *(November 2023)*

(1) Included in the ceiling set in the 20th resolution (issuance through a public offer without pre-emptive subscription rights).
(2) 19th and 22nd resolutions.

7.2 REPORT OF THE SUPERVISORY BOARD: RECOMMENDATIONS CONCERNING THE VOTES ON THE PROPOSED RESOLUTIONS

7.2.1 RE-ELECTION OF SUPERVISORY BOARD MEMBERS (13TH TO 15TH RESOLUTIONS)

Compagnie Générale des Établissements Michelin is a *société en commandite par actions* (partnership limited by shares) and as such its Supervisory Board is entirely made up of non-executive members (89% of whom are independent) who represent the shareholders.

With a view to clearly separating management and supervisory powers, no General Partner may play a role in the nomination process – neither Florent Menegaux, Managing Chairman, nor SAGES, the Non-Managing General Partner, which is responsible for ensuring the Company's continuity of leadership.

Neither of the two General Partners is involved in decisions to recommend candidates for election to the Supervisory Board at Shareholders Meetings.

In addition, French law and the Company's Bylaws prohibit the General Partners from taking part in the vote at Shareholders Meetings to elect members of the Supervisory Board and their shares are not included in the quorum for the related resolutions.

Thierry Le Hénaff, Monique Leroux and Jean-Michel Severino have informed the other Supervisory Board members that they wish to stand for re-election, which is the purpose of the 13th, 14th and 15th resolutions.

Thierry Le Hénaff

Arkema – 420, rue d'Estienne-d'Orves, 92700 Colombes – France

Thierry Le Hénaff, a French national, is currently Chairman and Chief Executive Officer of Arkema[1].

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*.

He owns 400 Michelin shares.

He has served as an independent member of the Supervisory Board since 2018, was a member of the Audit Committee between 2018 and May 2021, and has been the Senior Independent Member of the Supervisory Board and member of the Compensation and Appointments Committee since May 2021.

Thierry Le Hénaff was considered by the Supervisory Board to be an independent member at the time of its last review, in 2021[2].

The Board examined Thierry Le Hénaff's candidature for re-election (for the first time) for a four-year term, taking into account:

- the appropriateness of his re-election;
- his managerial experience within a major international group;
- his proven ability to support the transformation of an industrial group, while making it a global leader in its main activities;
- his contribution to the complementary skills and experience represented on the Board;
- his involvement in the work of the Audit Committee and, since May 2021, both in leading the executive sessions of the Board as the Senior Independent Member and in the work of the Compensation and Appointments Committee;
- his availability and attendance rate at meetings of the Board and its Committees; Thierry Le Hénaff's overall attendance rate at meetings of the Supervisory Board and the Committees of which he was a member during the last three years (the period used by the Board to assess the attendance rate of incumbent Board members) was 96.30%[3];
- 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 Thierry Le Hénaff be re-elected for a further four-year term. Mr. Le Hénaff did not take part in the Board's discussion or vote.

Monique Leroux

Fiera Capital – 1501 McGill College – Montreal (Quebec) – H3A 3M8 – Canada.

Monique Leroux, a Canadian national, is a company director. She is a Companion of the Canadian Business Hall of Fame and Investment Industry Hall of Fame. She sits on the Boards of Directors of Bell (BCE)[1], Couche-Tard (ATD)[1] and S&P Global (SPGI, term expiring in 2022)[1].

(1) Listed company.
(2) A detailed discussion of Supervisory Board members' independence is provided in section 3.2.6 of the 2021 Universal Registration Document.
(3) Thierry Le Hénaff missed only one meeting, in 2019.

Monique 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 ten Canadian universities in recognition of her contribution to the business sector and also to the community.

Monique Leroux chaired Canada's Industrial Strategy Board in 2020 as part of a special mandate on economic recovery and she also chaired the Board of Directors of Investissement Québec from 2016 to 2020.

Monique Leroux owns 1,000 Michelin shares.

She has served as an independent member of the Supervisory Board since October 2015 and member of the Audit Committee since 2017. Since 2020, she has been Chair of the Corporate Social Responsibility Committee (CSR Committee).

Monique Leroux was considered by the Supervisory Board to be an independent member at the time of its last review, in 2021[1].

The Board examined Monique Leroux's candidature for re-election (for the second time) for a four-year term, taking into account:

- the appropriateness of her re-election;
- her commitment to the work of the Board and the Audit Committee and, since December 2020, her leadership of the CSR Committee as its Chair;
- her excellent understanding of the challenges facing the Group;
- her experience in the areas of accounting, finance and internal control;
- her attendance, availability and involvement in Board and Committee meetings; Monique Leroux's attendance rate in 2021 at meetings of the Supervisory Board and the Committees of which she was a member during the last three years (the period used by the Board to assess the attendance rate of incumbent Board members) was 100%;
- the fact that she is an independent member of the Board and has no conflicts of interest;
- the expertise and experience she brings to the Board; the Committee felt that Monique Leroux will continue to give the Group the benefit of her broad experience, gained in particular during her time as a partner of EY (Canada) and as Chair of the Board and Chief Executive Officer (from 2008 to 2016) of Desjardins Group, one of Canada's leading financial institutions, which she helped to build into one of the world's most robust financial institutions after a period of dynamic growth under her stewardship.

On the recommendation of the Compensation and Appointments Committee, the Supervisory Board decided to recommend that Monique Leroux be re-elected for a further four-year term. Monique Leroux did not take part in the Board's discussion or vote.

Jean-Michel Severino

Investisseurs et Partenaires - 9, rue Notre-Dame-des-Victoires - 75002 Paris - France.

Jean-Michel Severino, a French national, 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. Awarded the civil service rank of *Inspecteur Général des Finances*, he served as 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 Managing Partner then Chairman of the Supervisory Board of Investisseurs et Partenaires (I&P), a fund management team specialized in impact finance that is dedicated to financing and supporting African SMEs.

He is Senior Independent Director and Chairman of the Governance Committee of the Board of Directors of Danone[2] (until the end of the Annual Shareholders Meeting of April 26, 2022), a director and member of the Audit Committee of Orange[2] and Chairman of the Board of Directors of Ecobank International (EBI SA).

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

Jean-Michel Severino owns 400 Michelin shares.

He joined the Supervisory Board in November 2020, following the resignation of Cyrille Poughon, and his appointment for the remainder of his predecessor's term (one year) was ratified by the Shareholders Meeting of May 21, 2021 by a majority of 99.92% of the votes cast (12th resolution).

He is also a member of the Supervisory Board's Corporate Social Responsibility Committee (CSR Committee) created in 2020.

Jean-Michel Severino was considered by the Supervisory Board to be an independent member at the time of its last review, in 2021[1].

Following his recent appointment to the Supervisory Board, his candidature for re-election for a four-year term was examined by the Board, taking into account:

- the appropriateness of his re-election, after serving on the Board for the remaining ten months of his predecessor's term;
- his expertise, especially in the areas of social environment, human resources and governance;
- his good knowledge of the world of manufacturing;
- his international experience;
- his availability, attendance rate and involvement in the work of the Supervisory Board, with an attendance rate at Board meetings of 100%;
- 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 Jean-Michel Severino be re-elected for a further four-year term. He did not take part in the Board's discussion or vote.

(1) A detailed discussion of Supervisory Board members' independence is provided in section 3.2.6 of the 2021 Universal Registration Document.
(2) Listed company.

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		•		
Jean-Pierre Duprieu			•	
Aruna Jayanthi		•		
Patrick de La Chevardière			•	
Anne-Sophie de La Bigne			•	
Jean-Christophe Laourde			• (1)	
Thierry Le Hénaff	•			
Monique Leroux	•			
Delphine Roussy			• (1)	
Wolf-Henning Scheider				•
Jean-Michel Severino	•			
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 APPOINTMENT OF THE STATUTORY AUDITORS (17TH AND 18TH RESOLUTIONS)

During several of its meetings in 2020 and based on Finance Department analyses and presentations, the Audit Committee examined the issue of whether to re-appoint the Statutory Auditors when their appointment expired at the end of the Annual Shareholders Meeting called to approve the 2021 financial statements or to appoint new firms.

The Audit Committee noted that (i) neither firm had to be replaced under the auditor rotation rules and (ii) the signing partners rotated in 2018 and 2020.

An assessment of the situation was carried out, focusing in particular on the quality of the auditors' work, cooperation between the two firms, their understanding of the Group's strategic changes and transformations, the support provided during the process of upgrading the Group's internal controls and information systems, and the coverage of the Michelin Group's host countries by the members of the two firms' networks and the coordination of their work. After considering several scenarios, taking into account the regulatory framework and the Group's organization, the Audit Committee recommended that the Statutory Auditors should be re-appointed, taking into account the following main factors:

- their renewed audit approach that takes into account the current changes within the Group, including its numerous acquisitions;
- the rotation and reallocation of audit cycles between the two firms, at the central level and at the level of the different countries/entities;
- the new fee budgets, as revised to reflect the simplification of the Michelin Group's processes and legal structures and the deployment of digital solutions.

On the basis of these factors and on the recommendation of the Audit Committee, the Supervisory Board has decided to recommend to the Shareholders Meeting to re-appoint PricewaterhouseCoopers Audit and Deloitte & Associés as Statutory Auditors for a further period of 6 years.

7.2.3 APPROVAL OF THE COMPENSATION OF THE CORPORATE OFFICERS, INCREASE IN THE TOTAL COMPENSATION AWARDED TO THE SUPERVISORY BOARD (6TH TO 12TH 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 2022, the General Partners and the Supervisory Board are submitting to the Ordinary Shareholders Meeting for approval:

- the 2022 Compensation Policy applicable to (i) the Managers (6th resolution) and (ii) the Supervisory Board (7th resolution)[(1)];
- the information about the compensation of the Managers and the Chair(man) of the Supervisory Board (8th resolution) and the individual compensation paid or awarded to them (9th to 12th resolutions) for 2021[(2)].

At this year's Meeting, we intend to ask shareholders to approve an increase in the total fees awarded to the Supervisory Board, to take into account:

- the increase in the number of Board members in 2020 (11 members, up from 9);
- the creation of a new committee in 2020, the Corporate Social Responsibility Committee (CSR Committee), and the involvement of its members in the very intensive activities of this committee, which meets as regularly as the other Board committees;
- the increasing number of areas in which the activities of the various Committees overlap, requiring them to work together on an expanding range of subjects such as the analysis of CSR risks and the review of the Group's Diversity and Inclusion policy;
- the growing demands placed on Supervisory Board members in terms of professionalization, engagement and availability, particularly in the case of members of the Committees of the Board[(3)];
- the need to retain and continue to attract Supervisory Board members with the recognized experience and first-rate skills required to represent shareholders in a group that has a broad international footprint and a growth strategy that is taking it into new business sectors.

The total compensation payable to members of the Supervisory Board in 2023 would be raised from €770,000 to €950,000 as from the 2022 financial year (16th resolution). In accordance with the Supervisory Board's internal rules, the fee allocated to each member depends to a large extent on their attendance rate at Board and Committee meetings.

The rules for allocating this compensation among the members of the Supervisory Board would not be changed in 2022 and would remain identical to those defined in the 2021 compensation policy[(4)].

We concur with the proposal of the Compensation and Appointments Committee and recommend that shareholders adopt the corresponding proposed resolutions.

(1) Detailed policy described in the Supervisory Board's Corporate Governance Report, see section 3.3 of the 2021 Universal Registration Document.
(2) Detailed disclosures in the Supervisory Board's Corporate Governance Report, see sections 3.4 to 3.6 of the 2021 Universal Registration Document.
(3) A summary of the work carried out by the Supervisory Board, the Board Committees and the Senior Independent Member in 2021 is included in section 3.2 of the 2021 Universal Registration Document.
(4) Detailed policy described in the Supervisory Board's Corporate Governance Report, see section 3.3.3 of the 2021 Universal Registration Document.

7.2.4 APPROVAL OF THE FINANCIAL STATEMENTS, RELATED-PARTY AGREEMENTS, FINANCIAL AUTHORIZATIONS AND STOCK SPLIT (1ST TO 5TH AND 19TH TO 29TH 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 2021 (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 2021, 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 highlight the fact that the Group is exceptionally well managed and that it was this that enabled it to withstand an unprecedented crisis 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 €4.50 per share (2nd resolution).

The Company wishes to renew its share buyback program on similar 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 at the 2021 Meeting (28th extraordinary resolution).

We are also proposing a number of extraordinary resolutions (19th to 25th and 27th resolutions) which renew – on the same or very similar terms – the financial authorizations granted at the June 23, 2020 Annual Shareholders Meeting, which are needed by the Group to support implementation of its strategy.

In addition, shareholders will be asked to renew the previous authorization to carry out rights issues for members of a Group employee shareholder plan (26th resolution).

Lastly, a stock split is proposed, in order to increase employee ownership of Michelin shares and, more generally, to broaden the Company's shareholder base, (29th 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 11, 2022

The Supervisory Board

7.3 STATUTORY AUDITORS' REPORTS

7.3.1 STATUTORY AUDITORS' REPORT ON THE ISSUE OF SHARES AND/OR VARIOUS SECURITIES, WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

Combined Shareholders Meeting of May 13, 2022 (19th, 20th, 21st, 22nd and 23rd resolutions)

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 should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders' meeting,

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin, and pursuant to Articles L. 228-92 and L. 225-135 *et seq.* and Article L. 22-10-52 of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed delegations of authority to the Managers, or either of them, to carry out various issues of shares and/or securities, which are submitted to you for approval.

On the basis of his report, the Managing Chairman invites the shareholders:

- to delegate to the Managers, or either of them, for a period of 26 months, from the date of this Annual Shareholders Meeting, the authority to carry out, except during a public offer period, the following transactions and to set the final terms and conditions thereof, and, where appropriate, to cancel shareholders' preemptive subscription rights:
  - the issue, with pre-emptive subscription rights (19th resolution), of shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares,
  - the issue, without pre-emptive subscription rights (20th resolution), of shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares through a public offer not governed by Article L.411-2, paragraph 1, of the French Monetary and Financial Code,
  - the issue, without pre-emptive subscription rights (21st resolution), of shares and/or equity securities carrying rights to other equity securities and/or other securities carrying rights to shares through an offer governed by Article L.411-2, paragraph 1, of the French Monetary and Financial Code,
- to authorize the Managers, under the 22nd resolution, and as part of the implementation of the delegations referred to in the 20th and 21st resolutions, to set the issue price within the annual legal limit of 10% of the capital

The aggregate nominal amount of the shares that may be issued under the 19th, 20th, 21st, 22nd, 23rd and 25th resolutions, immediately or in the future may not, under the 27th resolution, exceed €125,000,000, it being specified that the nominal amount of the shares that may be issued, either immediately or in the future on conversion, may not exceed:

- €125,000,000 under the 19th resolution,
- €35,000,000 under either the 20th or 21st resolution or under all the 20th and 21st resolutions combined.

Under the 27th resolution, the aggregate nominal amount of debt securities that may be issued under the 19th, 20th, 21st, 22nd and 23rd resolutions may not exceed €2,500,000,000, this amount also constituting the individual ceiling for each of the 19th, 20th and 21st resolutions.

These ceilings take into account the additional securities to be issued under the delegations of authority sought in the 19th, 20th, 21st and 22nd resolutions, in accordance with Article L. 225-135-1 of the French Commercial Code, in the event that the shareholders adopt the 23rd resolution.

It is the responsibility of the Managing Chairman to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French Commercial Code. Our responsibility is to express an opinion on the fairness of the information taken from the financial statements, on the proposed cancellation of the shareholders' pre-emptive subscription rights, and on certain other information relating to these transactions, which is presented in this report.

We performed the procedures that we considered necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in verifying the information provided in the Managing Chairman's report relating to these transactions and the methods used to set the issue price of the shares to be issued.

Subject to a subsequent examination of the terms and conditions of the issues, we have no matters to report as regards the information provided in the Managing Chairman's report on the methods used to set the issue price of the equity securities to be issued under the 20th, 21st and 22nd resolutions.

In addition, as this report does not stipulate the methods used to set the issue price of the shares to be issued under the 19th resolution, we do not express an opinion on the basis used to calculate the issue price.

Since the final terms and conditions of the issues have not been set, we do not express an opinion in this respect, or, consequently, on the proposed cancellation of the shareholders' preemptive subscription rights under the 20th and 21st resolutions.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report if and when the Managers, or either of them, use the delegations of authority to issue equity securities carrying rights to other equity securities, securities carrying rights to equity securities to be issued or shares without preemptive subscription rights.

Neuilly-sur-Seine and Paris La Défense, March 25, 2022

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Frédéric Gourd

7.3.2 STATUTORY AUDITORS' REPORT ON THE RIGHTS ISSUE RESERVED FOR MEMBERS OF A GROUP EMPLOYEE SHAREHOLDER PLAN

Combined Shareholders Meeting of May 13, 2022 (26th resolution)

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 should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders' meeting,

Compagnie Générale des Etablissements Michelin

23 place des Carmes-Déchaux

63000 Clermont-Ferrand

In our capacity as Statutory Auditors of Compagnie Générale des Etablissements Michelin, and pursuant to Articles L. 225-135 *et seq*. of the French Commercial Code *(Code de commerce)*, we hereby report to you on the proposed delegation of authority to the Managers, or either of them, to increase the capital by issuing, without preemptive- subscription rights, ordinary shares reserved for members of an employee shareholder plan of the Company or of French and foreign companies related to the Company within the meaning of Article L. 225-180 of the French Commercial Code and Article L. 33441 of the French Labor Code -*(Code du travail)*, for a maximum amount of €7,100,000, which is submitted to you for approval.

This rights issue is submitted to the shareholders for approval pursuant to the provisions of Article L. 225129-6 of the French Commercial Code and Articles L. 3332-18 -*et seq.* of the French Labor Code.

On the basis of his report, the Managing Chairman invites the shareholders to delegate to the Managers, or either of them, for a period of 26 months from the date of this meeting, the authority to increase the capital and cancel shareholders' pre-emptive subscription rights to the shares to be issued. Where applicable, the Managing Chairman will be responsible for setting the final terms and conditions of this transaction.

It is the responsibility of the Managing Chairman to prepare a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our responsibility to express an opinion on the fairness of the financial information taken from the financial statements, on the proposed cancellation of the shareholders' pre-emptive subscription rights, and on certain other information relating to the issue, which is presented in this report.

We performed the procedures that we considered necessary in accordance with the professional standards applicable in France to such engagements. These procedures consisted in verifying the information provided in the Managing Chairman's report relating to this transaction and the methods used to set the issue price of the shares to be issued.

Subject to a subsequent examination of the terms and conditions of the proposed rights issue, we have no matters to report as regards the information provided in the Managing Chairman's report on the methods used to set the issue price of the ordinary shares to be issued.

Since the final terms and conditions of the rights issue have not been set, we do not express an opinion in this respect or, consequently, on the proposed cancellation of shareholders' pre-emptive subscription rights.

In accordance with Article R. 225-116 of the French Commercial Code, we will prepare an additional report if and when the Managers or either of them use this delegation of authority.

Neuilly-sur-Seine and Paris La Défense, March 25, 2022

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Frédéric Gourd

7.3.3 STATUTORY AUDITORS' REPORT ON THE CAPITAL REDUCTION

Combined Shareholders' meeting of May 13, 2022 - 28th resolution

This is a free translation into English of the statutory auditors' report issued in the French language 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.

To the Shareholders' meeting,

Compagnie Générale des Etablissements Michelin

23 place des Carmes-Déchaux

63000 Clermont-Ferrand

In our capacity as Statutory Auditors of your Company 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 from the date of this meeting, the authority to cancel the bought-back shares of your company up to 10% of the share capital, by period of 24 months, 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 the fairness of the reasons for and whether the terms of the proposed capital reduction(s), which do not undermine shareholders' equality, were compliant.

We have nothing to report concerning the reasons for and the terms of the proposed capital reduction(s).

Neuilly-sur-Seine and Paris La Défense, March 25, 2022

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Jean-Christophe Georghiou	Frédéric Gourd

7.3.4 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's 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.

In 2030, we expect to derive 20% to 30% of our sales from non-tire businesses. One example is this high-tech inflatable wing sail designed to reduce the energy consumption of cargo ships.

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
17. Related party transactions	5.2 (note 34)
18.1. Historical financial information	5.1.14; 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 32.2.3)
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 (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 2021 Management Report	Reference text	Section/Page(s)
Position and activity of the Group in 2021		
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
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
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); 5.2 (note 2.6)
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 3.5, 16, 20, 23, 33)
Anti-bribery and corruption system	French Act no. 2016-1691 of 9 December 2016 ("Sapin II")	4.1.1.1 b)
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 2021 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	3.4.4.1; 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	3.4.6
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	3.4.6
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; 3.4.5.3; 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 2021 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*)	5.1.14; 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, 2021.

Disclosure	Description	Section	Cross-reference (or reason for omission)
GRI 102: GENERAL DISCLOSURES			
1. Organizational profile			
102-01	Name of the organization	6.1	Information about the company
102-02	Activities, brands, products, and services	1	Our Business Model
102-03	Location of headquarters	6.1	Information about the company
102-04	Location of operations	1	A global footprint
102-05	Ownership and legal form	1	The Michelin partnership limited by shares
102-06	Markets served	1	With tires, Around tires, Beyond tires
102-07	Scale of the organization	4.1.2.4	Supporting employee growth and development/Workforce overview
		1	A global footprint
		3.11	Ownership structure and voting rights
		6.2.1	The Michelin share
		1	Financial performance
102-08	Information on employees and other workers	4.1.2	Human rights
		4.1.3	Employee health and safety
		4.1.5	Summary table of employee data
102-09	Supply chain	4.1.1.2	Demonstrating our CSR commitments through responsible procurement policies
102-10	Significant changes to the organization and its supply chain	5.1.11	Significant change in the issuer's financial or trading position
		4.1.2.3 c)	Transparency: information concerning redundancy plans, job retention initiatives and retraining, placement and support programs in 2021
102-11	Precautionary principle or approach	2	Risk management
		4.3	Duty of care plan
102-12	External initiatives	4	Methodology
		4.1.1.1	Ensuring ethical business practices
		4.1.1.2	Demonstrating our CSR commitments through responsible procurement policies
		4.1.2.1 a)	Human rights//Employee relations standards and responsibilities
		4.1.2.2 b)	Programs and tools to attenuate the risk of discrimination
		4.1.2.2 d)	Promoting employment for people with disabilities and retaining employees who become disabled
		4.1.3	Employee health and safety/Health, safety and quality of worklife policies
		4.1.4.3	Supporting biodiversity
		4.3.1	Duty of care plan/Methodology

(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)
102-13	Membership of associations	4.1.1.2 c)	A dedicated approach for natural rubber/The Global Platform for Sustainable Natural Rubber (GPSNR)
		4.1.2.1	Ensuring respect for human rights
		4.1.2.3	Promoting responsible social dialogue
		4.1.4.2 d)	The Michelin 4R circular economy process
		4.1.4.4 a)	New act4nature international individual commitments
		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/	
		4.1.2.5 e)	Fostering relations with environnemental protection associations
2. Strategy			
102-14	Statement from senior decision-maker	1	Message from the Managing Chairman
102-15	Key impacts, risks, and opportunities	2	Risk management
		4.1	Identification of the main risks
		4.1	Introduction/The Materiality Matrix
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	1	"All Sustainable" Strategy
		4.1.1.1	Ensuring ethical business practices
		4.1.2.1	Ensuring respect for human rights
		4.1.2.2	Instilling an inclusive culture of diversities and preventing discrimination
102-17	Mechanisms for advice and concerns about ethics	4.1.1.1	Ensuring ethical business practices
		4.1.1.1 a)	Establishing a global ethical framework/Whistleblowing controls and procedures
		4.1.1.2 b)	Risk identification and levers for action/Mediation with suppliers
4. Governance			
102-18	Governance structure	3.1	Administrative, management and supervisory bodies
102-19	Delegating authority	3.12	Financial authorizations
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
102-21	Consulting stakeholders on economic, environmental, and social topics	4.1.2.5 a)	Stakeholder dialogue
102-22	Composition of the highest governance body and its committees	3.1	Administrative, management and supervisory bodies
102-23	Chair of the highest governance body	3.1	Administrative, management and supervisory bodies
102-26	Role of highest governance body in setting purpose, values, and strategy	3.1.1 b)	Role and responsibilities
102-29	Identifying and managing economic, environmental, and social impacts	2	Risk management
		4.1	Identification of the main risks
		4.1	Introduction/The Materiality Matrix

Disclosure	Description	Section	Cross-reference (or reason for omission)
102-35	Remuneration policies	3.3	Management and Supervisory Board compensation policies for 2021
102-36	Process for determining remuneration	3.3	Management and Supervisory Board compensation policies for 2021
102-37	Stakeholders' involvement in remuneration	3.3.1	General principles
		3.5	Individual compensation paid or awarded to the Managers and the Chairman of the Supervisory Board for 2021
5. Stakeholder engagement			
102-40	List of stakeholder groups	4.1.2.5 a)	Stakeholder dialogue
102-41	Collective bargaining agreements	4.1.2.3 a)	An assertive social dialogue process
102-42	Identifying and selecting stakeholders	4.1.2.5 a)	Stakeholder dialogue
102-43	Approach to stakeholder engagement	4.1.2.5 a)	Stakeholder dialogue
102-44	Key topics and concerns raised	4.1.2.5 a)	Stakeholder dialogue
		4.1	Introduction/The Materiality Matrix
6. Reporting practice			
102-45	Entities included in the consolidated financial statements	5.2	Consolidated financial statements year ended December 31, 2021
102-46	Defining report content and topic boundaries	4	Methodology/Definition of content and scope of reporting
102-47	List of material topics	4.1	Introduction/Challenges and performance/The Materiality Matrix
102-48	Restatements of information	4	Methodology
102-49	Changes in reporting	4	Methodology/Indicators
102-50	Reporting period	4	Methodology/Reporting cycle and period
102-51	Date of most recent report	4	Methodology/Indicators
102-52	Reporting cycle	4	Methodology/Reporting cycle and period
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
102-55	GRI content index	8.5	Global Reporting Initiative cross-reference table
102-56	External assurance	4.2.4	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
GRI 200: ECONOMIC			
GRI 201 – Economic performance			
GRI 201-1	Direct economic value generated and distributed	1	Financial performance
		1	The Michelin share
		4.1.2.3 b)	Offering fair compensation and benefits
		5.2	Note 11 : Income tax
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
		5.2	Note 2.6 : Climate Risk

Disclosure	Description	Section	Cross-reference (or reason for omission)
GRI 202 – Market presence			
GRI 202-2	Proportion of senior management hired from the local community	4.1.2.2 b)	Ensuring fairness and equal opportunity regardless of social, cultural and ethnic difference
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
		4.1.2.5 c)	Participating harmoniously in local community life through our employees
		4.1.2.5. g)	Making a public committment to supporting sustainable mobility
GRI 204 – Procurement practices			
GRI 204-1	Proportion of spending on local suppliers	4.1.1.2	Demonstrating our CSR commitments through responsible procurement policies/Diversifying the supplier base
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	4.1.1.1 a)	Establishing a global ethical framework
		4.1.1.1 b)	Taking a firm stand against corruption
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
		4.1.1.2 b)	Taking a firm stand against corruption
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 a)	Increment the use of sustainable materials
GRI 302 – Energy			
GRI 302-1	Energy consumption within the organization	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
GRI 302-3	Energy intensity	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
GRI 302-4	Reduction of energy consumption	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
GRI 303 – Water			
GRI 303-1	Interactions with water as a shared resource	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group

Disclosure	Description	Section	Cross-reference (or reason for omission)
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	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
		4.1.4.3	Supporting biodiversity
GRI 305 – Emissions			
GRI 305-1	Direct (Scope 1) GHG emissions	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
		4.1.4.4 c)	Reducing energy use and greenhouse gas emissions
GRI 305-2	Energy indirect (Scope 2) GHG emissions	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
		4.1.4.4 c)	Reducing energy use and greenhouse gas emissions
GRI 305-3	Other indirect (Scope 3) GHG emissions	4.1.4.1 a)	Transition plan: decarbonizing our operations
			Inventory of Scope 1, 2 and 3 CO_2 emissions
			Scope 3: reducing emissions from our logistics operations
			Scope 3: reducing emissions from purchased raw materials and components
			Scope 3: upstream purchased energy and end-of-life treatment of sold products
GRI 305-4	GHG emissions intensity	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
		4.1.4.4 c)	Reducing energy use and greenhouse gas emissions
GRI 305-5	Reduction of GHG emissions	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
		4.1.4.4 c)	Reducing energy use and greenhouse gas emissions
GRI 305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
		4.1.4.4 d)	Reducing harmful air emissions
GRI 306 – Effluents and waste			
GRI 306-2	Waste by type and disposal method	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
		4.1.4.4 e)	Reducing and managing waste
GRI 307 – Environmental compliance			
GRI 307-1	Non-compliance with environmental laws and regulations	4.1.4.4 b)	Reducing the environmental footprint of the production plants/ Summary table of environmental data – Group
GRI 308 – Supplier environmental assessment			
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	4.1.1.2	Demonstrating our CSR commitments through responsible procurement policies
GRI 400: SOCIAL			
GRI 401 – Employment			
GRI 401-1	New employee hires and employee turnover	4.1.2.4	Supporting employee growth and development

Disclosure	Description	Section	Cross-reference (or reason for omission)
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
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
GRI 403-2	Hazard identification, risk assessment, and incident investigation	4.1.3.4	Assessing and preventing workplace safety and security risks
		4.1.3.4 c)	Measuring and tracking occupational accidents
		4.1.5	Summary table of employee data
GRI 404 – Training and education			
GRI 404-1	Average hours of training per year per employee	4.1.2.4 c)	Enhancing skills through training
		4.1.5	Summary table of employee data
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.1.2.4 c)	Employee growth and development
		4.1.2.4 d)	A new division of roles to support the process
GRI 405 – Diversity and equal opportunity			
GRI 405-1	Diversity of governance bodies and employees	4.1.2.2 b)	Making all positions accessible to women and ensuring gender wage parity
GRI 405-2	Ratio of basic salary and remuneration of women to men	4.1.2.2 b)	Making all positions accessible to women and ensuring gender wage parity/Ensuring wage equality worldwide
GRI 406 – Non-discrimination			
GRI 406-1	Incidents of discrimination and corrective actions taken	4.1.2.2	Programs and tools to attenuate the risk of discrimination
		4.1.1.1 a)	Establishing a global ethical framework
			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
		4.1.1.2 b)	Demonstrating our CSR commitments through responsible procurement policies/Risk identification and levers for action/Supplier assessments
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
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
		4.1.1.2 b)	Demonstrating our CSR commitments through responsible procurement policies/Risk identification and levers for action/Effective levers for action/Addressing CSR issues in appropriate purchasing processes

Disclosure	Description	Section	Cross-reference (or reason for omission)
GRI 410 – Security practices			
GRI 410-1	Security personnel trained in human rights policies or procedures	4.1.2.1 b)	Organization and ambitions
GRI 411 – Rights of indigenous peoples			
GRI 411-1	Incidents of violations involving rights of indigenous peoples	4.1.2.1 b)	Organization and ambitions
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) 4.1.2.1 b)	Employee relations standards and responsibilities Risks and prevention measures
GRI 413 – Local communities			
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	4.1.2.5 4.1.2.5 a)	Encouraging employee and corporate engagement in local communities Stakeholder dialogue
GRI 414-1	New suppliers that were screened using social criteria	4.1.1.2	Demonstrating our CSR commitments through responsible procurement policies
GRI 414-2	Negative social impacts in the supply chain and actions taken	4.1.1.2 b)	Risk identification and levers for action/Supplier assessments
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	4.1.1.3	Guaranteeing the quality of our products and services
GRI 417 – Marketing and labeling			
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	4.1.1.3	Guaranteeing the quality of our products and services
GRI 418 – Customer privacy			
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	4.1.1.2 4.1.1.2 d)	Ensuring ethical business practices Protecting employee privacy and personal data
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

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, 2021.

Topic	Accounting metric	Section
Energy management TR-AP-130a.1	Total energy consumed	4.1.4.4 b) Reducing the environmental footprint of the production plants/Summary table of environmental data – Group
	Percentage renewable	4.1.4.4 c) Reducing energy consumption and greenhouse gas emissions/Implementing the Group's energy transition
Waste management TR-AP-150a.1	Total amount of waste from manufacturing	4.1.4.4 b) Reducing the environmental footprint of the production plants/Summary table of environmental data – Group
	Percentage hazardous	4.1.4.4 e) Reducing and managing waste
	Percentage recycled	4.1.4.4 e) Reducing and managing waste
Product safety TR-AP-250a.1	Number of recalls issued, total units recalled	4.1.1.3 Guaranteeing the quality of our products and services/ Michelin Quality
Design for fuel efficiency TR-AP-410a.1	Revenue from products designed to increase fuel efficiency and/or reduce emissions	4.1.4.1 d) Engagement and transparency / 2021 report on the Michelin Group's activities in respect of the European Taxonomy Regulation
Materials sourcing TR-AP-440a.1	Description of the management of risks associated with the use of critical materials	4.1.1.2 b) Identifying categories and countries at risk and assessing suppliers/Critical materials
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 a) Increment the use of sustainable materials
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
Number of parts produced	TR-AP-000.A	4.1.1.3 Guaranteeing the quality of our products and services/Michelin Quality
Weight of parts produced	TR-AP-000.B	3,289,207 tons (scope: i-MEP)
Area of manufacturing plants	TR-AP-000.C	3,649 hectares[(1)]

(1) This information was added after the review by the independent third-party and was therefore not subject to its review procedures.

Design and production: côtécorp.
Editorial advice and copywriting: Michelin, Information et Conseil. Photo credits: Theo Gosselin; Getty; ContentCenter; iStock; Gerald Geronimi; Allen McEachern; Bruno Mazodier; Vanina de Turckheim/studio Raymond Velin; Wlad Simitch; ContentCenter/BFGoodrich; Jérôme Cambier; Shutterstock/tarasov; ContentCenter.

COMPAGNIE GÉNÉRALE
DES ÉTABLISSEMENTS MICHELIN
+ 33 (0) 4 73 32 20 00
23, Place des Carmes-Déchaux – 63000 Clermont-Ferrand – France
www.michelin.com

INVESTOR RELATIONS
GUILLAUME JULLIENNE,
PIERRE HASSAÏRI,
FLAVIEN HUET
+ 33 (0) 4 63 21 56 90
27, cours de l'Île Seguin – 92100 Boulogne-Billancourt – France
23, Place des Carmes-Déchaux – 63000 Clermont-Ferrand – France
investor-relations@michelin.com

INDIVIDUAL SHAREHOLDER RELATIONS
GUILLAUME JULLIENNE,
CLÉMENCE RODRIGUEZ,
ISABELLE MAIZAUD-AUCOUTURIER
+ 33 (0) 4 73 32 23 05
23, Place des Carmes-Déchaux – 63000 Clermont-Ferrand – France
Toll-free calls in France: 0 800 000 222
actionnaires-individuels@michelin.com

SUSTAINABLE DEVELOPMENT AND MOBILITY
NICOLAS BEAUMONT
+ 33 (0) 4 73 32 20 00
23, place des Carmes-Déchaux – 63000 Clermont-Ferrand – France

COMMUNICATION
AND BRANDS DEPARTMENT
MEDIA RELATIONS: PAUL-ALEXIS BOUQUET
+ 33 (0) 1 45 66 22 22
27, cours de l'Île Seguin – 92100 Boulogne-Billancourt – France