



Michelin Australia Pty Ltd

Modern Slavery Statement 2022

I. Introduction

This Modern Slavery Statement (this “**Statement**”) is made under the Modern Slavery Act 2018 (Cth) (“**the Act**”) and sets out the actions taken by Michelin Australia to assess and manage modern slavery risks in its operations for the financial year ending 31 December 2021 (“**FY21**”). This is Michelin Australia’s second Statement under the Act.

While keeping to meeting the mandatory reporting criteria as required by the Act, this Year 2 Statement reports on a number of improvements from the preceding version, including: (i) reporting on the human rights gap assessments and desktop reviews, and (ii) providing case study examples of holistic risk mitigation approaches within the Michelin Group’s supply chain.

II. Reporting Entities

The reporting entities covered by this Statement are Michelin Australia Pty Limited (ABN 84 006 761 628), its wholly owned subsidiary Klinge Holdings Pty Limited (ABN 69 087 237 518), and Bearcat Tyres Pty Limited (ABN 92 085 854 520), a wholly owned subsidiary business of Compagnie Generale des Etablissements Michelin (“**CGEM**”) (together referred to as “**Michelin Australia**”). Michelin Australia is part of the Michelin Group (“**the Group**”) and its ultimate parent company is CGEM.

III. Operations and Structure

Headquartered in Clermont-Ferrand, France, the Michelin Group is present in more than 170 countries, has a global workforce of 124,000 employees and operates over 70 production plants located in 17 different countries and has business operations in 170 countries. CGEM is listed on the Paris Stock Exchange.

Michelin Australia imports and distributes all types of tyres as well as provides mobility services across Australia and New Zealand. Michelin Australia has offices in all major Australian cities and distributes its products through independent dealers.

The vast majority of the products imported and distributed by Michelin Australia are manufactured by members of the Group. Logistics services are outsourced.

Michelin Australia has around 256 employees. These employees are largely office-based, and roles include senior management, account managers, administrative staff, customer service advisors, information technology, marketing, national and regional sales managers and supply chain personnel. They are located across all major Australian cities.

IV. Supply Chains

Michelin Australia imports most products (mainly tyres) that it distributes in Australia from members of the Michelin Group. Those products are manufactured by members of the Michelin Group located in 17 countries in Europe, America and Asia.

Michelin Australia also procures certain goods and services in Australia such as logistics & warehousing, technology and telecommunications hardware and services, financial services from Australian banks, consulting services, marketing & events management, insurance, accounting, audit and legal services. It



also procures certain goods in Australia to enable it to operate in Australia such as protective clothing, motor vehicles and miscellaneous office supplies. Some of the contracts for the aforementioned goods in particular for information technology hardware and services are managed on a world wide basis and others, for example, merchandizing goods, are regionally or locally managed.

The procurement of these locally procured goods and services that are not procured under a Michelin Group managed procurement contract takes place under the supervision of the local purchasing team who follow the process and procedures set out in the Michelin Group's policy articulated in the Duty of Care Plan, including but not limited to, the Michelin Purchasing Principles. Those principles include respecting human rights and provide that Michelin requests that its suppliers do likewise.

V. Risks of Modern Slavery Practices in Michelin Australia's Operations and Supply Chains

As mentioned above, most of Michelin Australia's employees are office based. It does not have any industrial or manufacturing activity. According to the ranking of Verisk Maplecroft's Modern Slavery Index, that takes into account local laws and practices, the risks of human rights violations in Australia for Michelin Australia's own employees are considered low. In addition, the policies and processes in place in the company further minimize these risks.

The risk of modern slavery in Michelin Australia's supply chain can be separated into two parts:

i. Risk in the manufacture and transport of products sold by Michelin Australia (mostly tyres), but manufactured by members of the Michelin Group

The identification, prevention and mitigation of the potential risks of modern slavery within the Michelin Group operations are detailed in the Duty of Care Plan referred from page 17 to page 37. These risks are, broadly, (i) Health and safety risks; (ii) human rights risks; and (iii) risks associated with suppliers' CSR practices, particularly with respect to raw materials.

These risks will be discussed in detail below.

a. Manufacturing risks

Michelin Australia accepts that where its manufacturing sites are located in jurisdictions with an elevated risk of modern slavery, this increases the risk of modern slavery in the local suppliers to these locations. Even though the Group operates in some countries where modern slavery practices may occur (some countries in Asia, Latin America) the policies and processes put in place by the Group minimize these risks. The Duty of Care plan has identified these risks and has put in place mitigation plans specifically to deal with them. In 2020, the Purchasing and Sustainable Development Departments jointly participated in discussion groups exploring the notion of decent work in the supply chain. These discussions were held as part of the Global Compact Action Platform on Decent Work, which the Group joined in 2019 with the Human Resources Without Borders (RHSF) association, which helps companies to improve their response to forced labor and child labor issues. Participation in these events and groups has deepened the Group's understanding of such risks including forced labor and child labor and has improved the Group's practices in many areas including implementing decent wages and complaint mechanisms.

In some countries where the Group manufactures products – Brazil, Thailand, Indonesia, India, Mexico, Romania – human rights impact assessments have been conducted to identify gaps in the prevention of modern slavery. These assessments were followed by action plans where necessary. After having performed the risk analysis and remediation, the residual risks of modern slavery, including child labor and forced labor are considered low on Michelin sites.



b. Raw materials risks

As with all tyre manufacturers, one of the key raw materials used to manufacture tyres is natural rubber. Other major raw material categories are synthetic rubber, fillers, chemicals and steel cord. The cultivation of natural rubber presents risks for modern slavery as it is labour intensive and produced in countries where the risk of modern slavery is heightened. The natural rubber cultivation process also poses specific risks to both the environment and society. Because the natural rubber supply chain is particularly complex and fragmented, this considerably complicates visibility and risk control. From a social perspective, while the majority of plantations are very small in size and rubber prices can fluctuate widely, there are risks in relation to working conditions in general and the low pay for farmers in particular. Other identified risks include conflicts over land ownership and a possible seizure of the land, along with the use of toxic pesticides. Other raw materials have a much lower exposure to modern slavery as they come from process industries. Nevertheless some risks may be present when these goods are produced in countries with high human rights / forced labour risks. Notwithstanding the risks identified above, risk assessments conducted by the Michelin Group of suppliers show that the residual risk of modern slavery regarding raw materials is low.

ii. Risk to Michelin Australia for suppliers of goods and services other than those goods and services procured from the Michelin Group

The due diligence conducted in respect of Michelin Australia's non-Group supply chain focused upon its first tier suppliers. Although each of these suppliers have their own supply chains, Michelin Australia has limited visibility of those supply chains. Michelin Australia accepts that its suppliers may be linked to modern slavery by way of their own supply chains.

The majority of Michelin Australia-specific suppliers are in industries and jurisdictions that are low risk for modern slavery, such as Australian providers of professional services, banking and accounting.

Michelin Australia also has identified risk of modern slavery in the following suppliers, outside the Michelin Group: shipping, clothing, technology (e.g. IT equipment), hospitality, and cleaning.

VI. Risk Mitigation and Actions Taken

i. Management of the risks in the global supply chain by the Group and Michelin Australia

The Michelin Group has a comprehensive approach to ensuring compliance, which consists of involvement from the following departments:

- Legal;
- Internal Control;
- Human resources;
- Purchasing; and
- Internal Audit.

In addition, the Group has a comprehensive approach of the management of human rights risks in its procurement supply chain, from the selection of the supplier to the end of the contract. The Group has systems to ensure all those in its supply chain and its contractors comply with its values and that there exists a vigorous supply chain compliance programme. Specific measures include:



- Implementation of the Michelin Purchasing Principles, first published in 2012 and last modified in late 2020, found here <https://purchasing.michelin.com/en/purchasing-principles/>. This document describes the fundamental principles governing the Group's supplier relationships. It specifies the rules of professional conduct for the Michelin Group's purchasing teams, the supplier approval process, the Michelin Group's quality standards and the environmental, social and ethical performance expected of the Michelin Group's suppliers, including compliance with local law and international standards with respect to human rights. The Purchasing Principles also precisely define the conditions for farming natural rubber, both in terms of the environment (e.g. zero deforestation, protection and preservation of peatlands), and in terms of social responsibility and human rights (e.g. working conditions, free, prior and informed consent of the local communities);
- Purchasing teams receive training on the Code of Ethics, including human rights risks;
- Forced labor guidelines have been drafted for the 2021 edition of the Code of Ethics, which can be found on <https://ethique.michelin.com/en/>;
- Most purchasing contracts include a copy of the Group's Purchasing Principles that encourage them to uphold the fundamental conventions of the International Labour Organization (ILO);
- Services agreement contracts also include specific clauses about forced labor, reinforcing the Michelin Purchasing Principles;
- Michelin Conditions of Purchase include the right to audit all suppliers to ensure compliance with the Purchasing Principles;
- The Group operates the Navex Ethics hotline that is accessible to all its employees and external stakeholders, including suppliers who may wish to report breaches of the Code of Ethics, including modern slavery;
- Policies are in place to protect whistleblowers;
- Desktop reviews are conducted by the EcoVadis rating agency to assess compliance of suppliers with human rights, health and safety, environmental and business ethics standard required by the Group. A significant part of the spend realized with Australian suppliers is covered by this CSR desktop review. When the score is low, an action plan is put in place in agreement with the supplier. In 2020, 84% of respondents, or 697 suppliers, were confirmed as compliant with Group standards; and
- A CSR self-assessment questionnaire, including human rights issues, may also be used when the third party assessment is not used. The questions measure the maturity of a supplier's CSR practices, which can be used as a selection criterion if warranted.

The Australian purchasing team of goods and services generally follow the same processes as explained in this section: the adoption of the Michelin Purchasing Principles, self-assessment questionnaires etc. The Group Purchasing Department also reviews Michelin Australia's suppliers and spending to identify whether an EcoVadis desktop review is required. In addition, Michelin Australia employees who engage with suppliers are required to undertake that they have reviewed the Michelin Purchasing Principles and the Code of Ethics and agree to comply with the terms. Furthermore, the Michelin Purchasing Department conduct annual checks to ensure continued compliance of the policies.

On the supplier side, in addition to the processes adhered to by Michelin Australia's Purchasing Department under this section, a letter from the Group reinforcing the Group's zero tolerance policy for any breaches of the Code of Ethics and Purchasing Principles, as well as the Group's Navex Ethics Line, has been communicated to all Michelin Australia suppliers in February 2022.



ii. **A specific approach for the management of the risks of natural rubber**

The human rights risks in the natural rubber supply chain, including the risk of child labour, are being addressed through a targeted approach, which includes a specific policy on sustainable natural rubber and the deployment of a mobile application called “Rubberway” aimed to identify CSR risks among the upstream supply chain and farmers. Thanks to this application, the CSR practices of the various stakeholders in the natural rubber supply chain are mapped and the areas with the most social or environmental risks are highlighted. The data is shared with suppliers and can be used to prepare improvement plans. At the end of 2020, 58 natural rubber processing plants had replied to the questionnaires and 42,053 questionnaires had been completed, including more than 39,000 by smallholders and covering 55% of Michelin’s purchased volumes. By the end of 2021, 80% of the Group’s sourced natural rubber volumes have been mapped with Rubberway.

The application is currently deployed in the following countries: Indonesia, Thailand, Ivory Coast, Ghana, Nigeria, Liberia and Brazil.

Michelin also assesses its natural rubber suppliers on human rights issues: its direct suppliers are assessed via EcoVadis desktop reviews and onsite audits. In 2020, the vast majority of the Group’s natural rubber suppliers, accounting for more than 85% of the Group’s sourced natural rubber volumes, were assessed by desktop reviews. Suppliers representing 69% of total spend were confirmed as compliant with Michelin standards, which corresponds to 77% of the 2020 spend covered by the reviews.

The results are transparently reported on the Michelin Purchasing website (<https://purchasing.michelin.com/en/responsible-management-natural-rubber-supply-chain>).

The Group has formalized its public commitments in a Sustainable Natural Rubber Policy published in 2016, and recently updated in 2021. This policy was drafted with input from stakeholders, particularly environmental and human rights NGOs, and is now a contractual reference document for the Group’s suppliers.

Further details of all these measures can be found in the Duty of Care Plan.

Case Study – Rubberway Analysis

In late 2020, a project was launched using a Rubberway Analysis to improve the living and working conditions of small rubber tree farmers in Central Sumatra, Indonesia. The Rubberway Analysis considered risk factors such as child labour, health and safety and working conditions. Designed with the Ksapa NGO, the Cascade Project also provides for training to educate the farmers on worker’s rights and included topics such as child labour, forced labor, gender equity, workers’ remuneration.

In 2021, the advanced field study was completed, the training materials were produced, and the e-training application began to be deployed, with 125 farmers trained. The objectives for 2022 are for the project to be deployed largely in communities, the training modules to be completed, and for the project impact to be measured.

iii. **Written policies**

Michelin Australia’s ultimate parent company CGEM is listed on the Paris Stock Exchange and is therefore subject to the French law known as the Duty of Vigilance Law Act No. 2017-399 of 27 March 2017 (“Duty of Vigilance law”) that provide for, amongst other things, the identification and mitigation of risks associated with environment, health & safety and human rights.



In compliance with the Duty of Vigilance Law the Michelin Group publishes annually its Duty of Care Plan, built on recognised international standards contained in, notably, the United Nations Principles on Business and Human Rights, the fundamental conventions of the International Labour Organisation and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises. The Duty of Care Plan is comprised of (i) a risk map for risk identification, analysis and prioritisation, (ii) regular evaluation procedures regarding subsidiaries, subcontractors and suppliers, (iii) appropriate actions to mitigate risks, (iv) an alert mechanism for the existence of risks, and (v) a system for monitoring the measures implemented and evaluating their effectiveness. A copy of the Duty of Care Plan can be found on <https://www.michelin.com/en/documents/duty-of-care-plan/>

All members of the Michelin Group, including Michelin Australia, are required to comply, and have adopted the Duty of Care Plan. It is committed to preventing adverse human rights impacts, including modern slavery, in its operations and in its supply chains. The Michelin Group's policies reflect the Group's commitment to acting ethically and with integrity in all its business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in its supply chains.

The Duty of Care Plan expands on the information and initiatives already embedded in the Michelin Group's policies that underpin its sustainable development commitment. These specific policies include:

- The Michelin Performance and Responsibility Charter;
- The Code of Ethics;
- The Purchasing Principles;
- Health, Safety and Quality of Worklife Policy;
- The Environmental General Policy Note;
- Labour Relations Policy and Diversity Policy; and
- The Sustainable Natural Rubber Purchasing Principles.

Copies of these policies can be found on www.michelin.com.

iv. **Practices for Michelin Australia employees**

The following requirements and practices are implemented amongst Michelin Australia's employees:

- Each employee must consent freely and without constraint to be hired by Michelin;
- Each employee gets a working contract;
- Each employee can decide to leave the company at any time (in accordance with his/her employment contract and local legislation);
- Each employee receives a regular market based salary;
- The remuneration of each employee conforms with the local laws; and
- Employees can use the Navex ethics hotline to make or lodge a complaint.

v. **Whistleblowing**

The Michelin Group maintains an anonymous Navex Ethics Hotline that is managed by an independent third party. All employees and suppliers are advised of this facility and have access to it. Employees are actively encouraged to raise concerns relating to ethical issues including those relating to corruption and modern slavery with their managers, human resources department or via the Navex Ethics Hotline.

Whistleblowers are protected by whistle blower protection policies. Michelin Australia has adopted its own Whistleblower Policy, published in 2019, consistent with Whistleblower legislation in Australia.

vi. **Training**



To ensure a high level of understanding of the CSR risks and ethical risks in Michelin Australia's supply chains business, Michelin Australia provides training to its staff. A specific e-learning module for purchasing teams addresses human rights and modern slavery risks specifically within Michelin Australia's suppliers.

vii. **Violations**

Michelin Australia will take disciplinary action against any employee found to be involved in breaking laws in relation to child labour, forced labour, slavery and human trafficking.

VII. Effectiveness of the Prevention Measures

In order to monitor the effectiveness of the actions taken to prevent modern slavery in our business operations or at our suppliers, we assess each year an array of indicators, such as:

- Number of suppliers assessed each year on CSR issues, including human rights;
- Number of suppliers that reach the accepted CSR standards of the Group;
- Number of questionnaires (including questions on forced labor and child labor) filled in by small holders of natural rubber; and
- Number of training of natural rubber farmers to enhance their level of income and working conditions.

The data is available on a yearly basis in the Duty of Care Plan.

VIII. Any Other Relevant Information

Bearcat Tyres Pty Limited forms part of the Group's acquisition of the Camso Global Group of Companies and its supply chain is covered by the Duty of Care Plan. In 2020, post-acquisition audits at Camso identified shortfalls against the Group Environmental and Health & Safety standards. Action plans are underway and are being tracked regularly.

In addition, CSR assessments of Camso's most at-risk suppliers will be performed and desktop reviews will be extended to cover the most at-risk categories.

For the avoidance of doubt, both Bearcat Tyres Pty Limited and Klinge Holdings Pty Limited's procurement practices follow the processes and procedures set out in Section VI(i) of this Statement, including but not limited to, adherence to the Michelin Purchasing Principles.

IX. Consultation

This Year 2 statement, made pursuant to the Modern Slavery Act 2018 (Cth), was made in consultation with Michelin Australia's legal, management and purchasing departments and approved by the board of Michelin Australia Pty Ltd on behalf of Michelin Australia on 16 March 2022. This document constitutes our Modern Slavery Statement for the financial year ending 31 December 2021.

Signed:

Name: Chris Gledhill
Position: Managing Director
Date: 16 March 2022