



MICHELIN Australia Pty Limited

Australian MODERN SLAVERY Act 2018

ORGANISATION'S STRUCTURE

Michelin Australia Pty Limited together with its wholly owned subsidiary Klinge Holdings Pty Limited (together referred to as "Michelin Australia") is part of the Michelin Group and our ultimate parent company is Compagnie Generale des Etablissements Michelin ("CGEM").

MICHELIN Group's BUSINESS

Headquartered in Clermont-Ferrand, France, the Michelin Group is present in more than 170 countries, has a global workforce of 127,000 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 is a signatory to the UN Global Compact, thereby undertaking to respect human rights in all its activities and in all countries where the Group operates.

The Michelin Group is dedicated to sustainably improving mobility solutions for goods and people by manufacturing and marketing tyres for every type of vehicle, including airplanes, cars, bicycles/motorcycles, earthmovers, farm equipment and trucks. It provides telematics services through Sascar, NexTraq and Masternaut. It also offers electronic mobility support services on ViaMichelin.com and publishes travel guides, hotel and restaurant guides, maps and road atlases.

MICHELIN AUSTRALIA'S BUSINESS

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, both through independent dealers, and directly.

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

Michelin Australia has 150 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. They are located across all major Australian cities.

RISKS OF MODERN SLAVERY IN MICHELIN AUSTRALIA'S OPERATION

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 2019, 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.



Risk mitigation

- Written policies:

Michelin Australia 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. The Duty of Care Plan applies to all members of the Michelin Group who are required to adopt and comply with the Duty of Care plan. A copy of the Duty of Care Plan can be found on file <https://www.michelin.com/en/?s=Duty+of+Care+Plan+>

All members of the Michelin Group, including Michelin Australia 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 out supply chains.

The Duty of Care Plan expands on the information and initiatives already embedded in the 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;
- The Environment and Prevention General Policy Note;
- Labour Relations Policy and Diversity Policy.
- The Sustainable Natural Rubber Purchasing Principles

Copies of these policies can be found on <https://www.michelin.com/en/>

- Practices for Michelin Australia 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 employment contract and local legislation);
- Each employee receives a regular market-based salary;
- The remuneration of each employee conforms with the local laws;
- Employees can use the ethics hotline to make or lodge a complaint.

MICHELIN AUSTRALIA’S SUPPLY CHAIN

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 worldwide 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.

Risk of modern slavery in Michelin Australia's supply chain

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

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

a. Manufacturing risk

The human rights risks of the Michelin Group operations are detailed in the Duty of Care Plan referred to above from page 14 to page 25. These risks are, broadly:

- Health and Safety risks;
- Human Rights risks;

Even though the Michelin 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 as being and has put in place mitigation plans specifically to deal with them.

In some countries where Michelin 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 risk

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. Other raw materials have a much lower exposure to modern slavery as they come from process industries. Nevertheless, some risk may be present when these goods are produced in countries with high human rights / forced labour risks. Risk assessments conducted by the Michelin Group of



suppliers (see below) show a that the residual risk of modern slavery regarding raw materials is low.

c. Supply chains risk

Michelin 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.

d. Management of the risks in the global supply chain

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

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

Michelin has a comprehensive approach of the management of human rights risks in its 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 there exists a vigorous supply chain compliance programme. Specific measures include:

- Implementation of the Michelin Purchasing Principles <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;
- Purchasing teams receive training on the Code of Ethics, including human rights risks.
- Most purchasing contracts include a copy of the Group's Purchasing Principles that encourage them to uphold the fundamental conventions of the ILO; Services agreement contracts also include specific clause about forced labor reinforcing Michelin Purchasing Principles
- Michelin Conditions of Purchase including the right to audit all suppliers to ensure that our compliance with our Purchasing Principles;
- The Group operates the Navex Ethic 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 whistle blowers.

The assessment by a third party of the main suppliers and the suppliers considered at risk on CSR issues, including human rights. A significant part of the spend realized with Australian



suppliers are covered by this CSR desktop review. When the score is low, an action plan is put in place in agreement with the supplier. In 2019, 84% of the respondents, i.e. 604 suppliers of the Group achieved an overall score that was confirmed as compliant with Group standards.

- A CSR self- assessment questionnaire, including human rights issues, may also be used when the third-party assessment is not used.

e. A specific approach for the management of the risks of natural rubber

As mentioned in (b) above natural rubber cultivation poses specific risks to both the environment and society. The natural rubber supply chain is also particularly complex and fragmented, which 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. Lastly, other identified risks include conflicts over land ownership and a possible seizure of the land, along with the use of toxic pesticides.

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 farmers.

The Group has formalized its public commitments in a Sustainable Natural Rubber Policy published in 2016. 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.

Downloadable from the Michelin purchasing website <https://purchasing.michelin.com/en/document - area/> , the policy precisely defines the conditions for farming natural rubber, both in terms of the environment (zero deforestation, protection and preservation of peatlands...), and in terms of social responsibility and human rights (working conditions, free, prior and informed consent of the local communities, etc.).

Michelin also assesses its natural rubber suppliers on human rights issues: its direct suppliers are assessed via EcoVadis desktop reviews and onsite audits, and for the upstream supply chain and small holders, it developed an innovative mobile application called Rubberway. 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 2019, over 27,000 questionnaires have been filled in, including more than 25,000 by smallholder plantations, which account for 45% of the volume bought by Michelin. The Group plans to map 80% of its sourced natural rubber volumes by 2021. The app is currently deployed in the following countries: Indonesia, Thailand, Ivory Coast, Ghana, Nigeria and Brazil.

The results are transparently reported on the Michelin Purchasing website <https://purchasing.michelin.com/en/responsible-resilient-natural-rubber/> <https://www.michelin.com/en/sustainable-development-mobility/ethics/sustainable-purchasing/> As more and more data become available and will provide representative samples, analysis will be run to identify which are the main risks and where they occur. This analysis will be available early 2021.



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

2) 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 has limited visibility of those supply chains. Michelin Australia accepts that its suppliers may link it to modern slavery by way of their own supply chains.

The majority MAPL's 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.

The Australian Purchasing team of goods and services follow the same processes as explain in section 1.b: Michelin Purchasing Principles, CSR assessments by third party, self assessment questionnaires etc.

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.

Whistle blowers are protected by whistle blower protection policies.

TRAINING

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

VIOLATIONS

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

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
- 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

CONSULTATION TO PREPARE THIS STATEMENT

This report was produced with inputs from the purchasing department, the personnel department as well as in consultation with the management of Michelin Australia. In addition, material for the production of this statement was contributed by the Durable Development Department as well as the purchasing department in France.

This statement was approved by the board of Michelin Australia Pty Ltd on behalf of Michelin Australia on 26 January 2021.

Signed

Name Chris Gledhill
Position Managing Director
Date 9th February 2021