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Michelin Group Labor Relations Policy

1. Purpose and Scope

Social cohesion within the company and the personnel's commitment to achieving their objectives are some of the cornerstones of competitive advantage. These cornerstones require a labor relations policy to be implemented in all countries and at all levels that is capable of developing trust among the various parties and allowing responsible and constructive social dialogue.

After introducing the context and challenges, this document sets out and explains the labor relations policy corresponding to this goal. The policy presents:

- the commitments demonstrating the Michelin group's vision of labor relations,
- the principles of action intended to give rise to behavior and decisions that will ensure its implementation, and
- how it is to be implemented.

Appendices 1 and 2 contain definitions of the key concepts and an examination of the main policy drivers. The terms defined in the appendix are marked with an asterisk (*) the first time they appear in the text.

This policy was written in accordance with the *United Nations Global Compact*, the International Labor Organization's eight fundamental conventions and the *OECD Guidelines for Multinational Enterprises*. It is consistent with the *Purpose* of the company, the spirit of the *Michelin Performance and Responsibility Charter* and internal documents such as *Moving Forward Together*, the *Manager's Guide* and the *Ethical Charter*. It observes and reflects the company's values and aims to enhance the way they are applied.

It also serves as a reference document for all information, awareness and training actions for labor relations* personnel.

The proposed changes can only take place over the long term. However, this policy must be taken into account in all countries straight away and any new initiatives concerning labor relations must be in keeping with the spirit it defines as of January 1st, 2015.

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2. Context and Challenges

Social cohesion is a major competitiveness factor

The world economic context has been highly unstable for a considerable time. This is making it increasingly difficult for businesses to base their strategies on reliable forecasts. Furthermore, the different socio-economic contexts in the different regions of the world along with free competition create significant disparities in terms of competitiveness. This means that businesses have to adapt rapidly to geographic and time fluctuations in the market by becoming increasingly responsive and agile.

Being able to constantly adjust operations to actual market needs is only possible with strong social cohesion. This cohesion determines how easy it is for the social structure to handle these adjustments while avoiding internal tensions which would hinder or prevent them. As a result, only businesses which are able to create strong social cohesion and real commitment are able to achieve a satisfactory level of responsiveness and agility and thus maintain their level of performance during an economic downturn. This cohesion is rooted in the feeling shared by all employees that the company makes fair decisions, thus instilling confidence.

Social cohesion requires seeking balance which is constantly fluctuating between the requirements of investors, without whom the company would not have enough capital, and those of employees, who are the company's lifeblood and driving force, and between the challenges relating to the long-term prosperity of the company and to satisfying the fundamental needs of the employees.

Labor relations are part of a national legal, cultural and historical framework. The Michelin group's strategy and operations are carried out on an international scale

Although some UNGA, OECD and EU laws outline international or regional principles pertaining to social dialogue*, labor laws remain within the national sphere. Moreover, labor relations are closely linked to the political and socio-economic history of each country. The result is that each country is an individual case so labor relations policies contain principles which can only be implemented on a national level.

This can present a problem inasmuch as there are two opposing principles: on the one hand decisions motivated by a medium- and long-term strategic world vision and on the other, social impact analyses based on the particular situation in a single country or area.

The labor relations policy therefore aims to reconcile these two approaches in social dialogue on an international and national level, or on a local level in countries in which laws differ from state to state (or province to province).

Reforming labor relations involves correcting certain factors

Social dialogue is a major component of labor relations but in some countries, this dialogue can be less than fruitful. There are three factors involved:

- the management's low level of involvement in social dialogue, particularly at hierarchical levels which are remote from operating units;
- the dwindling level of employee representatives' ability to represent their colleagues due to:

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- a relative professionalization which tends to distance them from the field, affecting their ability to really listen to employees;
- societal changes that may be keeping an increasing number of employees from feeling the desire or need to get involved in collective action and union activism;
- the lack of mutual trust or mutual understanding of the mutuality of interests that may exist between management and representatives which causes them to behave in a conflictual or avoidance way rather than seeking negotiated corporate responsibility compromises.

The intensity of these factors depends on the history and culture of social dialogue in each country. In any event, this labor relations policy seeks to help rectify these issues.

The image of large international companies increasingly depends on how they fulfill their social, community and environmental responsibility (RSE)

A company's reputation depends not only on the quality of its products and its ability to benefit the innovations market, but also on its level of social, community and environmental commitment.

Extra-financial rating agencies now examine companies' policies in this area as well as the extent and sincerity of their implementation. Investors are proving to be increasingly attentive to the conclusions of these studies. The quality of labor relations plays a central role in this type of rating, which has an increasing effect on brand prestige.

It is an additional challenge for labor relations policies.

The policies underpinned by Moving Forward Together and our PRM Ambitions are key factors for improving the social climate

The company's social climate* is mainly determined by that of its industrial sector for four main reasons:

- this sector is organized into production units of increasing size. These production units have large numbers of staff who are easily mobilized due to unity of time and place,
- the staff in these factories are the most vulnerable to change,
- these factories have the most difficult working conditions,
- the way work is currently organized prevents the majority of factory staff from feeling a real sense of ownership towards their entity's mission and performance.

The result is that hourly-paid personnel policies and the empowerment approach are a significant part of continuous social climate improvement.

In the other entities, which are as important even if they are less sensitive to the above mentioned factors, the empowerment process and its positive effects on the perceived quality of work and people development, and efforts aiming at improving quality of work life and work-life balance are drivers for improving the social climate that have proven to be effective.

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3. The Group's Commitments

Goal

Labor relations within the Michelin group make it possible to establish a community bringing together shareholders, the company management and personnel to promote the company's social interest. This should be understood as the combination of strategic decisions to ensure the company's future and measures ensuring the satisfaction of employees' fundamental needs and social cohesion.

Labor relations are boosted by the empowerment approach

Each team member benefits from a large degree of autonomy in how they carry out their mission. This autonomy results in a wider variety of work, better job design, better personal development opportunities and increased well-being through really taking ownership of the entity's mission and objectives and feeling that everyone is treated equally, regardless of their job level in the company.

This approach is the main driver for securing the commitment of employees in closely-knit teams which generate a social link which is vital to their equilibrium and therefore the harmony of human relationships. The empowerment approach as it is understood at the Michelin group:

- Increases solidarity and mutual support in everyday work,
- Boosts the feeling that personal and professional worth as contributions are recognized by colleagues and managers,
- Opens up new staff development and social advancement opportunities.

Constructive and responsible social dialogue

Responsible social dialogue leads to compromises which ensure long-term balance between the company's long-term interests and the treatment of its people that is perceived as fair both by employees and shareholders. This idea excludes any conflict in the interests of shareholders and employees as neither can carry out their activity without the other.

Staff representation which is legitimate and open to dialogue

The company recognizes the positive contribution of staff representation independent of the management which is a source of proposals and ensures that employees' fundamental needs are taken into account. It respects those who agree to take on this responsibility and includes this in staff potential assessments and career management.

Where law, culture and custom permit, it encourages employees to join representative organizations to increase legitimacy and strengthen means of action. When law, culture and custom do not permit, local managements are asked to find a way to ensure that employees' major and legitimate concerns are brought to their attention and taken into account in decision-making processes.

Employee representatives endeavor to faithfully represent the expectations expressed by employees in a spirit of nonpartisan openness. None of the stakeholders considers social dialogue within the company as the place for political debates on the pertinence of the global economic system, which the company has no choice but to efficiently integrate.

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People involved in labor relations avoid any systematic opposition, refusal to discuss or any other behavior which would go against the company's corporate responsibility and prevent reasonable and balanced decisions from being jointly made.

Management is involved in social dialogue

Management at all levels plays a key role in social dialogue. Managers consult labor relations specialists and legal services and take into account their advice in the labor aspects of their projects. Under no circumstances do they delegate the design and implementation of these labor aspects, which are taken into account from the start of decision-making processes.

Social dialogue sustained by high-quality information and ongoing training

The Michelin group provides all parties with the information they need to form an objective and well-reasoned opinion and express it confidently within the scope of social dialogue. This is the main condition of responsible dialogue. The form and content of this information are negotiated among unions and management and comply with the legal obligations in each country.

An ongoing training and awareness policy for all parties enables each person to fulfill their role in social dialogue with full knowledge of the legal framework.

Negotiating agreements is a basic tool for social dialogue

As the lifeblood and driving force of the company, employees are encouraged to contribute, via their managers and representatives, to improving their working conditions, skills, employability, health and safety. They are also asked to express their views on the social consequences of strategic decisions and to suggest measures to minimize them or facilitate their management by the employees concerned.

Collective bargaining is considered to be the normal framework for making balanced decisions which are acceptable to all the stakeholders in the areas of working conditions, personal development, health and safety and social consequences of the company's strategic decisions. The normal result of these negotiations is the signing of agreements committing the parties.

In countries where collective bargaining is submitted to conditions that are not achieved in the company, modalities enabling personnel to take part in setting up concerted solutions are looked for in the spirit of this policy.

The negotiation process takes into account the company's international dimension and is compliant with the national and local character of the labor relations law. International or regional framework agreements (IFAs or RFAs) stipulate the principles: without these agreements being able to have a prescriptive nature, national agreements organize implementation according to local laws and customs.

Considering that the solutions which best fit the real-life situation and facts are those which are implemented as close to the field as possible, the company encourages the negotiation of agreements at site level as long as they comply with the spirit of IFAs, RFAs and national agreements and are within the scope of the laws and conventions.

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4. Principles of Action

Labor relations personnel awareness-raising and training

On joining the group, all managers are made aware of the spirit of labor relations within the company. This awareness-raising is designed and carried out in each country and aims to get new hires on board with the principles of action. Management training ensures that this sense of ownership is maintained throughout their careers.

All managers receive training on the legal framework governing labor relations and social dialogue in particular. This training should focus more on what this framework allows rather than on the constraints it imposes.

For hourly-paid personnel, orientation days are a chance to receive precise information about the staff representation system in their entity and the principles of the *United Nations Global Compact*.

Staff representatives receive training on the social dialogue legal framework, listening practices and objective feedback, the economic mechanisms needed to understand the company's context, performance monitoring tools and collective bargaining techniques. Some of this training may be provided by the company. It is, however, preferable to entrust it to an independent agency or let union organizations cater to this need.

Information for personnel and labor relations partners

An international framework agreement stipulates the content of information provided to staff representatives to enable them to anticipate changes, understand their ins and outs and study their human and social consequences. This framework agreement is then adapted in each country to integrate any specific legal requirements.

Internal communication provides managers and staff with information allowing them to understand the changes in the context and have informed discussions about the questions raised by these changes. The whole management chain is involved in providing this information and the necessary explanations.

Based on their performance objectives and results requirements, managers at all levels should seize any opportunity to talk about the human and social aspects of the company's activity. This principle applies to written communication, meetings and agreements but more so to the visits to operating units which are a good opportunity to listen to personnel, help them to understand the entity's specific situation and meet its representatives.

Staff representation

Staff representation which is independent from the company management is in place in all countries in accordance with the local legal framework and when the latter, as well as the culture and local usage allow it. Dialogue with these representatives is organized and conducted according to the United Nations principles relating to freedom of association and right to collective bargaining.

Staff representatives' actions

In each country where applicable, an agreement stipulates the staff representatives' means of action in accordance with the spirit of the company's labor relations concept.

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Career management of staff representatives

To the extent allowed or required by local law, staff representatives benefit from the training, promotion and mobility opportunities offered by the company. Their responsibilities are recognized as a positive factor when considering their potential and career management provided that it cannot be interpreted as an attempt to distance them from their representation activities.

Forms of social dialogue

Social dialogue is not restricted solely to implementing legal requirements. It is constantly being fueled by informal discussions about new information and issues and it is important that each stakeholder understands the principles driving their partners. These informal discussions help to establish a trusting relationship and clear up misunderstandings, which it is much more difficult to do in the context of public and formal meetings during which people are often steered into adopting predefined stances. The management has a key role to play in these informal discussions.

Right to collective bargaining and hierarchy of agreements

In all countries which recognize the right to collective bargaining and where conditions exist within the company for it to be applied, this is how the joint search for solutions regarding common interest subjects is organized. These subjects concern the company's social, community and environmental responsibility (CSR).

International framework agreements (IFAs) are signed on the different themes of CSR, either *ex nihilo* or by extending the scope of existing European framework agreements (EFAs). Their spirit applies in the countries when local agreements are drawn up.

On their own initiative, the countries negotiate the agreements imposed by national laws concerning subjects not covered by the existing IFAs. When the countries have already signed agreements pertaining to the field of the IFAs, they check their compliance with the spirit of the IFAs and negotiate amendments if necessary.

Involvement of staff representatives in drawing up action plans for common interest subjects

Staff representatives are involved in drawing up the company's action plans and policies concerning health and safety of employees, working conditions, non-discrimination, work-life balance, personal development, skills and jobs management and, generally, the company's social, community and environmental responsibility.

They are also involved in monitoring them.

Social crisis* management

As soon as the first signs of mounting social tension appear, the group's labor relations manager is provided precise and ongoing information about it. This person conducts a high-level management think-tank to define the content and forms of support the company can provide to the local management and to define the margin for negotiation.

When these tensions lead to an open crisis, the group labor relations manager may put together a tandem unit at the company's head office which he/she coordinates and acts as secretary for.

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In all the countries in which it operates and to the extent allowed by local law, the company encourages the signing of agreements establishing tension management systems (arbitration procedures, mediation systems, etc.) to put in place before crises break out.

Change management

To the extent agreed upon in a local agreement or permitted by local law, staff representatives are informed and consulted regarding all significant changes in organization, entity or working conditions, as well as concerning new technology introduction projects which could modify employment and working conditions, staff qualifications, training or compensation.

Specific case of restructuring

Restructures are inevitable in certain circumstances in order to maintain the company's global competitiveness. These restructures must, as far as possible, take place at times when the company's health allows the mobilization of adequate resources to attenuate the social consequences. Whenever possible, staff at the entities concerned and their representatives are invited to work together to seek and suggest solutions for restoring competitiveness and reducing overcapacity which may open up an alternative to closing an activity or site.

When restructuring is unavoidable, it must be announced as soon as possible and carried out according to the procedures negotiated with the staff representatives. The ensuing changes on a personal level must be supported for as long as is necessary to ensure that the reclassified employees find a satisfactory solution in terms of standard of living, stability, family life and self-esteem. Social cohesion does not occur unless there is a general feeling that in difficult times the social structure will rally round those of its members who are in difficulty.

Participation

Participation is essential in terms of social cohesion and commitment. It takes three forms:

- Profit-sharing: in each country a form of financial participation in profits is organized in accordance with the possibilities offered by the laws,
- Staff representatives' participation in governance bodies:
 - At group level through the inclusion of staff representatives with voting rights on the CGEM supervisory board and, when employee shareholding exceeds 3%, through the inclusion of employee shareholder representatives with voting rights.
 - At each subsidiary level, through the inclusion of staff representatives with voting rights on the board of directors to the extent allowed by law.
- Participation in steering operations by developing the ownership approach in all entities and at all levels.

Cooperation with external parties

In all areas in which the company operates, local managements, under the supervision of the public affairs department, establish and maintain cooperative links with the local authorities in a bid to foster a mutual understanding of the challenges, policies and projects and thus establish a climate of trust. Special attention is given to anticipating changes to enable the prior setting up of partnerships within the scope of their implementation.

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In the same vein, close relationships are formed with the main media players in the area with the guidance of the press department. Media training is provided to people required to speak on behalf of the company and refreshed each time a spokesperson is required.

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5. Methods and Organization

Distribution of responsibilities between the Group labor relations manager and the zones/countries

The Group labor relations manager draws up and conducts the company's labor relations policy. His/her mission consists in bringing labor relations practices into line with the Michelin Group's human and social identity. As such, he/she:

- drafts and has approved labor relations structuring principles in the scope of a general policy,
- advises the group's management and represents it when necessary,
- ensures that local policies are consistent with the general labor relations policy, provides the countries with the support of the group management when drawing up their labor relations strategic vision and ensures that tactical decisions are consistent with this vision,
- conducts the negotiation of international framework agreements and coordinates the countries' actions according to the agreements signed,
- carries out internal monitoring of labor issues at group level,
- proposes the setting up of tandem units at group management level according to the difficulties encountered by the zones/countries and at their request, performs a coordination and secretarial role.
- identifies best practices and provides them to the countries,
- defines and sustains a training offering for people involved in labor relations in accordance with the Group policy.

The countries implement the principles of the group's labor relations policy within the framework allowed by the national laws and culture:

- they raise awareness and train the people involved in labor relations with regard to the company's labor relations commitments,
- they define a labor relations policy which complies with these commitments, the resulting principles of action and the national legal framework, considering that the company's commitments are part of its identity and that this identity is vital everywhere, even when the legal framework and culture are more permissive,
- they come up with a medium to long-term strategy,
- they cultivate trusted relationships with local authorities and set up external monitoring of labor issues enabling them to anticipate changes in the social and legal context and their foreseeable consequences,
- they formalize internal monitoring of labor issues which identifies signs of deterioration of the social climate or social dialogue as early as possible,
- they implement any action which allows the management, at each level, to play its part in labor relations,

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- they are in charge of the tactical running of operations concerning labor relations, particularly social dialogue,
- they negotiate with staff representatives agreements required by law and by the strategy they defined,
- they design and implement projects tailored to the country's situation in the field of RSE in collaboration with staff representatives and take these opportunities to strengthen the climate of confidence,
- they keep the group labor relations manager informed of the major trends identified in their external and internal monitoring of labor issues and alert him/her of any changes which could lead to a crisis,
- they request the support of the group labor relations manager when they consider that the solution to a problem is dependent upon the slackening of certain constraints. The labor relations manager can then consult managers at group level and provide their responses to the appropriate countries,
- when the situation justifies the setting up of a tandem unit, they provide, in due course, the group labor relations manager with all the information required to coordinate this unit.

Group labor relations network

Each country is responsible for choosing the most appropriate person to belong to a "labor relations" network coordinated by the group labor relations manager. In any event, each country must have a representative in this network.

Complementarity between the Group labor relations manager and the DGMR

The Group labor relations manager endeavors to provide the Group Communications Department (DGCM) with the information needed to understand the social strategy. In particular, he/she keeps them informed in due course of actions likely to receive media coverage in order to enable them to:

- come up with the appropriate messages and wording and prepare those who will have to transmit them on behalf of the company,
- alert of any risks of incompatibility of signals transmitted by the company at the same time.

The Group Public Affairs Department (DGAP) plays an important role in certain labor relations areas. The group labor relations manager draws on its skills to identify the contacts required for his/her action in politico-administrative and administrative environments. He/she leaves it to the DGAP to organize these contacts unless it explicitly authorizes him/her to act directly.

The DGAP provides him/her with all the external monitoring of labor issues information in its possession.

As a general rule, contact with public authorities is conducted at country level. However, in certain exceptional circumstances (restructures, for example), it falls to a representative of group rather than subsidiary management to inform the authorities of the company's strategy and plan (connection between the company's worldwide strategy and the national labor law). DGAP and the group labor relations manager therefore cooperate in the same conditions as for contacts at national subsidiary level.

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Complementarity between the Group labor relations manager and DGPR

Labor relations are an important dimension of the RSE. The group labor relations manager ensures that its initiatives are consistent with the PRM charter (particularly "iconic targets") and keeps DGPR informed.

He/she collects all the statistical data relating to social dialogue within the company and its subsidiaries and transmits it in a timely fashion to DGPR so it can be included in the reference document and the responses provided to extra-financial rating agencies.

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6. Measuring the Performance of the Labor Relations Policy

6.1. Proactive indicators (of means)

- Number of meetings per year with staff representatives.
- Number of work groups including staff representatives concerning common interest subjects.

6.2. Reactive (results) indicators

- Number of international framework agreements in force.
- Number of European framework agreements in force.
- Number of agreements in force at national level.
- Number of open social crises.
- Proportion of internal and external reclassifications carried out in the case of restructuring.
- Level of engagement (MFT survey).

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Appendix 1

Definitions

Labor relations

In this document, *labor relations* means all human relations between the members of the company, considered as a social structure.

These relations are carried out within the scope of professional and extra-professional activities in line with company life. It involves relationships between peers, between employees and their managers or between unions and management. The quality of these relations determines the nature of the relationship employees have with the company due to its impact on the satisfaction they achieve from their professional activity. This relationship with the company is observed in the **social climate** and in turn influences employees' desire to get actively involved in ensuring the company's success. We talk about **engagement**.

All work on labor relations therefore primarily involves the quality of the **social link** at all levels and in all its forms.

Social dialogue

According to the International Labor Organization (ILO), "social dialogue includes all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers on issues of common interest relating to economic and social policy. "

It involves a relationship among three parties: representatives of the employer, employees and public authorities (political, administrative and legal, national and local). None of them must be neglected when setting up the conditions required for quality dialogue both at national level and in the "areas" in which the company operates.

Social dialogue is therefore an integral part of a wider area called "labor relations" in this document. It is directly influenced by the quality of the social climate resulting from the company's standard relationship practices.

Social climate

The social climate reflects the degree of satisfaction within the company. It is influenced by internal factors (quality of interpersonal relationships, personal development prospects, working conditions, etc.) and external factors (economic situation, labor

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market, changes in buying power, etc.). A deterioration of external factors will affect the social climate more if the internal factors have not been managed successfully.

This deterioration is demonstrated particularly through changes in absenteeism, staff turnover, strikes, lack of discipline and, more generally, in the reduced level of engagement from employees.

Links between labor relations, social climate and social dialogue

The management's ability, at all levels, to create and maintain a favorable labor relations environment resulting in employee satisfaction is the main condition for a good social climate. This satisfaction relies on the fulfillment of a number of requirements specific to each person, for example:

- Personal development: learn, expand horizons and become aware of skills which are not clearly identified,
- Security: a fixed basic level of compensation and a social welfare system covering the family's basic needs (housing, food, transport, education, healthcare).
- Need for recognition: being considered as an individual in their own right with a personality, talents and preferences. A need also to be sure of career progression when all the behavioral and professional requirements are satisfied.
- Need for social connections: carrying out a professional activity should allow for regular interaction among employees about their work and more personal aspects so they never feel isolated.
- Need for order and freedom: balance between measures which ensure the harmony of the social structure and its collective effectiveness and a margin of autonomy enabling the person to exercise their intelligence, experience, knowledge and expertise to benefit the work team.
- Need for responsibility: being closely connected to achieving the mission of the work team and not confined to their job. This involves the possibility of solving problems and making decisions within the team, which means being able to take ownership of their team's objectives.
- Need for equality: it is not a matter of equality of conditions that no-one is asking for but the feeling that, in the fields in which the individual has become an expert, he/she will always be treated as an equal through consultation, membership to problem-solving groups or delegation.
- Need for truth: everyone feels the need to know what other people think of them, the prospects in mind for them, the prospects concerning the entity they belong to and the company's or at least the entity's strategy. This is the main challenge of managerial communication.

When these basic needs are satisfied in an ongoing and long-term way, a special relationship is established between the employee and the company based on trust, attachment and commitment. From that point on, the social climate improves and social dialogue can continue based on cooperation aiming to improve the situation through a responsible approach rather than creating tensions about conflicting demands.

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Social crisis

The notion of social crisis is often considered as similar to a collective conflict resulting in work stoppage and sometimes violent unrest.

This meaning is too restrictive. There is a crisis when conflict between labor relations personnel prevent any return to normal functioning, whatever the nature of this conflict. Resorting to strikes has become less common with people favoring more varied forms of demonstration of conflict (apathy, work-to-rule, procedural harassment, repeated consulting of external expertise, etc.).

We talk about "latent" and "open" crises.

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Appendix 2

The Main Drivers of Good Labor Relations

The desire to understand and enter into dialogue

The quality of labor relations is linked to the ability of the stakeholders to talk to each other. This ability depends greatly on their capacity to listen to each other and see each other's way of seeing things to understand the coherence and legitimate elements or, on the contrary, to highlight incoherence and debate opinions resulting from incorrect information or misinterpretation of correct information.

This is true of institutional social dialogue and managerial dialogue.

Reforming labor relations involves a strong desire from each party to set aside any prejudice relating to the other people, to try to understand what drives them and patiently explain their own position without any conflict or avoidance behavior.

In tension situations, this may involve seeking alternative dispute resolution measures, such as mediation, before entering into conflict. The labor relations system put in place in the company should permit this.

The management model

The quality of the management is a key component of a good social climate. This depends on the nature of the interpersonal relationships between managers and staff and on the management system applied within the company, as the two are inextricably linked.

Briefly, there are two opposing models:

- the classic hierarchical model: the management charts the course and stipulates the actions. There are interpersonal relationships between managers and staff but the general work organization is based on close control and leaves little room for establishing professional relationships between team members, which maintains the "social link".
- the empowerment model: the management charts the course and gives a lot of autonomy to the subordinate levels with a strong emphasis on teamwork.

With regard to labor relations, the second model is superior to the first as it:

- is based on employees taking ownership of the company's strategy,
- cultivates the social link vertically by involving subordinate levels in decision making (creation of solidarity) and horizontally through the central role given to team dynamics.

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This is the model the company chose with its empowering organizations (*OR*) approach. This approach is at the heart of labor relations. It is one of the ways employees can participate in the running of the company.

Transparency among all stakeholders

Between managers and staff

Mutual trust between managers and staff is not just formed in the relationship between employees and their direct manager. It is the whole management chain which works together to establish this trust by demonstrating the same concern for transparency and balance between demands and humanity and justice and respect. Employees' loss of trust in the more distant levels of management weakens their relationship with their direct manager insofar as they do not consider that the lower management has the power to significantly influence the decisions taken by the higher levels. This phenomenon will be reduced when the empowerment approach is used consistently.

Between management and staff representatives

The importance of social dialogue in labor relations varies according to the country and according to the way it is organized by local law. However, whatever the situation, it is important that the management is able to undertake constructive dialogue with staff representatives. When this is not possible, it is the management's responsibility to find out the specific legitimate expectations of personnel and make every effort to satisfy them.

For this trust to develop, the following is required:

- all the management are constantly involved in social dialogue with staff representatives and do not delegate this task to specialists;
- managers demonstrate, at all levels, respect for the role of staff representatives, are convinced of the need for staff to make their voices heard in an independent way and do not consider this as a constraint;
- staff representatives have complete and up-to-date information so that they can improve their level of understanding of the context and challenges required to form a rational judgment;
- staff representatives maintain strong contact with employees and demonstrate rigor and objectivity in how they convey their expectations, avoiding putting forward opinions which are more the fruit of political convictions or watchwords than a summary of employees' actual expectations.

Between the company and the authorities

The public authorities dictate the law.

They have good knowledge of local socio-economic contexts and courses of action which are often important for helping companies to develop and address their cyclical difficulties.

They can also be useful in providing mediation and consulting roles.

In some countries they have a significant power to put pressure on companies.

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It is in all these capacities that they are considered as being involved in social dialogue. It is therefore necessary to have regular and transparent contact with them and win their trust through the opinion they form of how the company locally conducts its social, community and environmental responsibility.

Between the company and investors

Investors own their share of the capital but are not **in** the company. A distinction needs to be made between investors who hold shares, whose loyalty needs to be secured, and those who could acquire shares, who need to be attracted.

The trust the company inspires through its managers' strategic decisions, its management, its social climate, its corporate social and environmental responsibility and the sincerity of its financial communication is decisive. The larger this trust, the larger the margin of maneuver the company's management have in all areas of its economic and social action.