

Mr Eric LE CORRE

Public Affairs Department

27, cours de l'Ile Seguin F-92100 Boulogne-Billancourt

B4 Ukraine

A l'attention de Madame Eleanor Nichol

enichol@b4ukraine.org

Paris, February 17, 2023

Madame,

We have received your letter dated January 23, 2023, addressed to our Chairman, in which you express concerns about the Michelin Group's commitments to respect human rights in the current context of the war in Ukraine.

From the first days of the conflict, the Michelin group made sure, as a priority, of the safety of its Ukrainian employees and their families. The Group has also taken, in coordination with its Ukrainian teams, all the necessary measures to honor its commitments to its Ukrainian customers and to ensure the supply of tires.

In addition, without delay, the Michelin Group actively contributed to the humanitarian aid provided to Ukrainian refugees. It intervened, at the central level, by means of donations to NGOs, including the Red Cross, made by the Michelin Foundation for a value of more than one million euros, as well as by means of donations and collections organized by various Group sites located in Poland, Romania and Hungary. In addition, many actions have been implemented, at the local level, in collaboration with the communities and thanks to a significant mobilization of the employees, such as the search for emergency accommodation, the organization of donation campaigns blood or the supply of basic necessities.

As of March 15, 2022, the Group announced the suspension of its industrial activity in Russia as well as that of its exports to Russia.

The activity of the Michelin group in Russia is carried out mainly through its subsidiary, Michelin Russian Tire Manufacturing Company (MRTMC, also called LLC Michelin), active in the production and sale of tires for the local Russian market.

As you recall in your letter, this subsidiary employed, in 2021, nearly a thousand employees, including 750 employees at the Davydovo industrial site, near Moscow.

[Michelin tires](http://www.michelin.com)

Place des Carmelites - Disalced
63040 CLERMONT-FERRAND CEDEX 9
FRANCE

Telephone: (33) 4 73 32 20 00
Fax: (33) 4 73 32 22 02 Internet:

<http://www.michelin.com>

Simplified Joint Stock Company with
capital of 504,000,004 Euros. 855 200
507 R.C.S. Clermont-Ferrand VAT
identification number FR 33855200507
European code: 2211z

French Manufacture

On June 28, 2022, in a context of lasting conflict and general uncertainty, the Group announced its plan to sell its activities in Russia to local management.

Unfortunately, after an in-depth feasibility study, this option had to be abandoned because it did not appear to be feasible in practice.

The Michelin group having decided to leave Russia, it was therefore necessary to seek other exit solutions from potential third-party buyers, taking into account both the Russian regulatory context and the applicable international sanctions. It is this process that is currently at work and that the Group hopes to see completed very soon.

With regard to the Michelin group's exports to Russia, it should be noted that, before the start of the dispute, there were two types of export flows: on the one hand, Russian customers obtaining their supplies of tires directly from the subsidiaries of the Group located outside Russia and, on the other hand, Russian customers obtaining supplies from MRTMC for tires that this subsidiary manufactured or that it imported after having purchased them from other Michelin group subsidiaries located outside from Russia.

The vast majority of export flows to Russia to which you refer in your letter concern exports resulting from transactions initiated before our press release of March 15, 2022 (tyres in transit or in transit on this date), which were subsequently cleared. These residual flows of tires have not existed for several months now and requests for customs clearance have gradually died out.

Subsequently, as part of our transfer project to local management, a few exceptional, very limited and essential shipments were intended, during this transitional phase, to enable MRTMC to honor its contractual obligations and thus limit the risks of litigation that would have hampered the Group's efforts to withdraw from Russia. These flows therefore had the exclusive purpose of creating conditions for transfer to local management. In no way was it a continuation of normal business activity.

Naturally, these export flows have been subject to due diligence and strictly comply with applicable economic and financial regulations and have remained exceptional.

Moreover, the total value of these residual and exceptional exports bears no relation to the volumes of exports of previous years.

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These limited exports are part of the many elements of the exceptional system put in place to accompany the departure of the group from Russia, in accordance with the commitments that have been made.

I hope that these answers will have convinced you of the effectiveness of the Michelin Group's commitment, to leave the country and its particular attention to respect for human rights.

Please accept, Madame, my respectful greetings.

Mr Eric LE CORRE

Director of Public Affairs

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Florent Menegaux
Chief Executive Officer
23 Pl. Des Carmes Déchaux
Clermont Ferrand 63000
France

CC: Michelin Group's Executive Team and Board of Directors

January 23, 2023

RE: Michelin Group's business operations in Russia

Dear Mr. Menegaux,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. In the spirit of respect for the fundamental rights of all people, the rules-based international order, and a prosperous global economy, we expect companies to demonstrate public support for the people, democracy, and territorial integrity of Ukraine, opposition to Russia's war of aggression, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs).

We request an urgent dialogue regarding potential inconsistencies between Michelin Group's stated policies on Russian aggression and human rights more broadly and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

We acknowledge Michelin Group's (Michelin) stated commitment to human rights. Michelin is a signatory of the UN Global Compact and its approach is underpinned by recognised international standards, including the Universal Declaration of Human Right, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.¹ This is confirmed in Michelin's Duty of Care Plan 2021 which states:

"Michelin makes every effort to uphold human rights in all its businesses and in every host community. The Group embraces both the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Since 2010, Michelin has been a signatory to the United Nations Global Compact, an initiative set up and led by the United Nations, which encourages enterprises to adopt a socially-responsible attitude through 10 principles."²

Michelin's Chief Executive Officer, Florent Menegaux, confirms that:

¹ Michelin, "Respect Human Rights: Acting responsibly and ethically with everyone," <https://www.michelin.com/en/sustainable-development-mobility/for-people/respecting-human-rights/> (accessed January 9, 2023).

² Michelin, "Duty of Care Plan 2021," June 2022, file:///C:/Users/NinaKP/Downloads/MFP_PLAN_DE_VIGILANCE_GB_VF.pdf (accessed January 9, 2023).

“At Michelin, we put human rights at the center of our operations, whether regarding employees, suppliers, local communities, customers, or the public at large. Promoting human rights is part of Michelin’s DNA.”³

It has been over ten months since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, forcible transfer of civilians). More than 18,000 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times.

On September 21, President Vladimir Putin escalated the war by announcing a “partial mobilisation” of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the more than 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.⁴ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

This legislation entails new and significant legal risks for companies remaining in Russia, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.⁵ Companies may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.⁶

³ Michelin, “For People,” <https://www.michelin.com/en/sustainable-development-mobility/for-people/> (accessed January 9, 2023).

⁴ Federal Law No. 31-FZ of February 26, 1997 “On mobilization training and mobilization in the Russian Federation” (as amended), <https://base.garant.ru/136945/> (accessed November 14, 2022).

⁵ International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, “Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward,” *Just Security*, September 6, 2021, <https://www.justsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed November 14, 2022); The Sentry, “Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate,” July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed November 14, 2022); Rfi, “French technology firm charged over Libya cyber-spying,” July 2, 2022, <https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying> (accessed November 14, 2022); Preston Lim, “Canadian Supreme Court Allows Corporate Liability for International Law Violations,” *Lawfare*, March 12, 2022, <https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations> (accessed November 14, 2022); Sherpa, “Aiding and abetting war crimes in Yemen: Criminal complaint submitted against French arms companies,” June 2, 2022, <https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed November 14, 2022).

⁶ Venable LLP, “Do You Contract with State Governments? If So, Beware of Emerging State Sanctions’ Obligations Related to Russia and Belarus,” *JD Supra*, June 3, 2022, <https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed November 14, 2022).

In response to this unprovoked and unjustified war⁷ many companies have left Russia. According to the Kyiv School of Economics Institute's #LeaveRussia [company tracker](#), Michelin is halting production at some plants/reviews, but is continuing other business and retaining its presence in the Russian market. On March 15, 2022, Michelin announced that it is “suspending its industrial activity in Russia, as well as its exportations to Russia.”⁸ A few months later, on June 28, 2022, Michelin announced that it plans to transfer all of its Russian operations to their current local management by the end of 2022.⁹ As motivation for this decision, Michelin names supply issues and a context of general uncertainty.¹⁰ However, our research indicates that Michelin is failing to expeditiously execute its commitments and remains exposed to the Russian market.

Prior to Russia’s invasion of Ukraine, Michelin maintained a significant presence in Russia. It employs over 1,000 employees in the country, 750 of which work at the Davydovo plant. The plant has an annual production capacity of 1.5 to 2 million tires, made mostly for passenger cars. Its sales in the country represent 2% of the Group’s total sales and 1% of its global car tire production. According to Michelin’s statement, “the Group’s balance sheet exposure to the project’s perimeter is currently estimated at around €250 million.”¹¹ The decision to stop exporting to Russia also includes freezing a supply contract for airplane tires with Aeroflot PJSC, which was halted as part of European Union sanctions barring the supply of aircrafts, parts, or services to airlines linked to Russia.¹² Since then, a ban on tires and materials used in their production was further expanded by the EU sanctions.

Despite this and contrary to its own statements, our research shows that Michelin has continued importing to Russia. In March, Michelin sales to Russia amounted to just over \$8 million, originating from Michelin United States of America, Spain, France, Poland, and other countries. Although with a significant drop, the sales continued in August, September, and in October when they accounted for just under \$2 million. The sales in October show direct imports from Michelin Spain, France, Poland, and other countries (Italy, Hungary, and Germany).¹³ Since this data seems to be contradictory to the statements made in March 2022, we are seeking to clarify Michelin’s position regarding these shipments to Russia and its dedication to practice heightened HRDD in light of the illegal war Russia is conducting in Ukraine. Further, with respect to the June statement, we would like to clarify whether Michelin concluded its intention to transfer its Russian operations to the local team.

These activities in Russia risk enabling and financing Russia’s violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine and violating Fortum’s human rights commitments. It remains to be seen how directly Michelin will be impacted by the partial mobilisation and the heightened legal, regulatory, operational, and financial risks associated with

⁷ The UN General Assembly condemned Russia’s “aggression against Ukraine” and demanded that Moscow “unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders.”

⁸ Michelin, “Michelin Suspends its Industrial Activity in Russia as well as its exportations to Russia,” March 15, 2021, <https://www.michelin.com/en/press-releases/michelin-suspends-its-industrial-activity-in-russia-as-well-as-its-exportations-to-russia/> (accessed January 9, 2023).

⁹ Michelin, “Michelin announces its intention to transfer its activities in Russia to local management by the end of 2022,” June 28 2022, <https://www.michelin.com/en/press-releases/michelin-announces-its-intention-to-transfer-its-activities-in-russia-to-local-management-by-the-end-of-2022/> (accessed January 9, 2023).

¹⁰ Ibid.

¹¹ Ibid.

¹² Tara Patel, “Tire Maker Michelin Suspends Russian Operations,” March 15, 2022, <https://www.bloomberg.com/news/articles/2022-03-15/michelin-suspends-russian-operations-exports-to-country> (accessed January 10, 2023).

¹³ Information gathered from Russian customs data.

companies being required to provide direct support to the internationally sanctioned Russian military.

We seek to understand the status of Michelin's exposure to Russia and how Fortum has conducted and continues to conduct heightened human rights due diligence, per its stated policy and the UNGPs concerning due diligence in conflict-affected areas, and how the findings of such a process has resulted in these continued business activities and relationships. As noted by the UNGPs:

...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine's [Declaration](#), we request an urgent dialogue with Fortum's relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential steps to prevent/mitigate these risks. Please contact B4Ukraine at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, January 26th, 2023.

Please do not hesitate to get in touch if you require any further information.

Sincerely,

The B4Ukraine Coalition