

# Michelin Case Study

## The Broadridge International Shareholder Communications Programme

**Michelin, the first participant of Broadridge's International Shareholder Communications Programme, is firmly committed to continuing its participation to the programme to further improve the flow of reciprocal communications with its non-resident shareholders.**

### Michelin - Serving mobility in a visionary spirit

As undisputed leader in the tire industry, Michelin designs, manufactures and sells tires for every type of vehicle. It also publishes well respected travel guides, maps and atlases covering Europe, Asia, Africa and North America

Present in strongly expanding markets where road transport is growing, Michelin has a highly demanding approach towards product performance and services. However, today the stakes are getting higher in the domains of responsibility such as pollution, fuel consumption, noise and safety. The tire can play a key role in meeting these challenges, which is why Michelin is constantly innovating, for example a new generation of green tire called Michelin Energy, Michelin Durable Technologies for truck tires and the Michelin Pilot Power 2 CT for motorbikes. It deploys numerous initiatives, such as Challenge Bibendum and the Fill-Up-With-Air operations for not only more mobility but also for better mobility. The Michelin group's baseline 'A Better Way forward' reflects its commitment.

### Michelin is one of the world's leading tire manufacturers with 17.7% of market share and:

- Manufacturing facilities in the very heart of markets: 71 sites in 19 countries;
- Technology centres on three continents: North America, Asia and Europe;
- Two rubber plantations in Brazil;
- A commercial presence in more than 170 countries;
- Highly qualified teams: more than 129,000 people from all cultural horizons, 4,000 of whom are research workers;
- A portfolio of brands to supply the needs of every market segment.

Michelin's aim is to achieve global, profitable and lasting growth, and focused, targeted growth, drawing on technology and innovation while taking advantage of strong brands and offering quality services to its customers. Its strategy is based not only upon growth, but also upon the building blocks of technology, innovation, brands and service.

This strategy has been successfully carried out so far and will support the ambitious growth and objectives which Michelin wants to reach by the end of the decade, despite the strong headwinds the group has been facing over the past few years, be they raw material price increases or difficult markets, for instance.

These objectives encompass the key areas of the company:

- Growth: volume growth > 3.5%, with a stronger growth on high value-added segments
- Profitability: reach an operating margin of at least 10%
- Balance sheet financing: bring inventory level down to 16% of net sales
- Value creation: achieve return on capital employed (ROCE) >10%, and cash generation by generating significant, positive free cash flow.

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### This strategy is based on three drivers:

1. First of all, the key driver to focus on is growth, which has many facets:
  - The ability to maintain technological leadership through an efficient R & D process, where innovation and creativity are totally focused on the value they can bring to the customers. This brings growth, but also supports the sustainability of the price premium.
  - A better balance of the presence of the group in compliance with the major markets to be served. This implies a need to increase the group's presence in Asia.

Michelin wants to improve the way it addresses the needs of the different segments of the market, whilst improving its profitability on these specific markets.

2. The second key driver: improve industrial productivity. This is the key to success in the group's ambitious investment programme. Improving the efficiency of the industrial base is critical to meeting this challenge whilst achieving the performance objectives.
3. Finally, deploying the group's strategy requires a well-tuned, dynamic, ambitious plan to improve the cost structure, and purchasing and SGA costs.

### Michelin and its shareholders

While Michelin strives to improve its product and service offerings worldwide, it also places great importance on maintaining close and continuous relationships with its shareholder base and on applying the highest corporate governance standards. Michelin understands that shareholder participation at corporate events is the most effective way in which shareholders can influence company's activities.

French legislation in May of 2002 gave French issuing companies (the "issuer") the right to request lists of their non-resident (ultimate beneficial owner) shareholders from global custodian banks. Michelin was obtaining these lists long before the legislation, thereby establishing personal relations with shareholders, by phone and fax, before the era of electronic mail. It was by studying the vast paper based circuit of proxy forms that Michelin decided it was necessary to make shareholder relations as efficient as possible. Expensive and time consuming communications across multiple intermediaries had to be replaced by a more efficient and direct link between Michelin and its non-resident shareholders.

### Michelin and Broadridge

"When we realised that many of our non-resident shareholders could also receive our proxy voting materials via Broadridge, we decided to work more closely with them. We wanted to ensure that Broadridge would distribute our proxy voting and related corporate materials in full detail and upon issuance, four weeks before our general meetings," said Christophe Mazel, Investor Relations Director, Michelin. Consequently, Michelin's network of shareholder relations and contacts, and Broadridge's network were combined assuring that coverage of the shareholder base was as extensive and optimal as possible.

Michelin's policy and strategy of contacting all non-resident shareholders could be enhanced by Broadridge's professional and long-standing expertise in distributing information. "Since we were doing on our own what Broadridge has been doing professionally for a long time, we felt that together we could do better still. Basically, we discovered Broadridge in the course of our constant pursuit to improve the efficacy of our shareholder relations. Then we realised that we could harness our skills", added Mazel.

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### Working together successfully

It was vital for Michelin to avoid multi-layer, time-consuming intermediaries by working with a neutral entity, able to achieve communications with investors in a more direct and efficient manner. By establishing the International Shareholder Communications Programme, Broadridge makes it possible for issuers to achieve such goal. Besides, the participation of Michelin to such a programme did not pose any conflict of interest since Broadridge is not involved in corporate grading or voting recommendations. The success of the partnership was rapidly proven by the following results:

- By working together with Broadridge, Michelin is assured that any information intended for its non-resident shareholders is sent electronically on a real-time basis to the shareholders whose custodian banks are linked to Broadridge's systems, thereby significantly eliminating the overall proxy costs for non-resident shareholders;
- Shareholders that are linked to Broadridge benefit from a special page on Broadridge's internet site informing them of voting procedures and requirements in France. Shareholders are also reminded that, for example, Michelin issues registered shares that were never blocked for the purpose of voting, even before the new French Economic Legislation Act abolishing blocking.
- Broadridge uses a "tickler list" and alerts to remind forgetful shareholders to vote (on-time) and to optimise participation;
- Michelin receives a report, in the form of a spreadsheet, every day from Broadridge during the final ten days before the general meeting deadline, indicating the numbers of shareholders informed of the impending general meeting, those who have voted and where the votes are located on the return custodial channel;
- Michelin shares are in registered form and consequently votes can be returned to Michelin directly from the global custodians (also known as registered intermediary in France). Recently, Broadridge ensured that express pre-paid post envelopes are provided to the global custodians in order to manage and streamline vote returns to Michelin directly.

The results speak for themselves. Michelin has continued to achieve shareholder participation of more than 50% at general meetings. "This is far in excess of legislative requirements, but in line with Michelin's shareholder policy and self-imposed high standards. We can consistently close our general meetings on first call, which is not so common among major issuers in France. We continue to speak directly with our non-resident shareholders, thus showing that Broadridge's International Shareholder Communications Programme provides us with the enhancement of voting ethics implementation. This hampers, in no way, the personal shareholder relations Michelin is so committed to maintaining", concluded Mazel.

To learn more about our products and services, call us at: **+1 (631) 374 1878** or visit our website at **[www.broadridge.com/investor-communications/international](http://www.broadridge.com/investor-communications/international)**.