Compensation Principles of long-term incentive plans

This document aims to define the compensation principles implemented through long term incentive plans within the Renault Group.

As from 2013, the Renault Group decided to stop implementing stock options plans. Therefore, the principles below only refer to performance share plans.

1. Compensation policy

The main objective of the plan is to involve Renault executives worldwide, particularly the members of management bodies, in building the value of the Group by allowing them to have an ownership interest in the Company.

The plan also makes it possible to single out those executives who, by their actions, make an especially positive contribution to the Group's results.

In addition, the plan helps to secure the loyalty of those executives for whom the Group has long-term ambitions, in particular "high-flyers", i.e. young executives with strong potential. Granting stock options and performance shares helps to increase the commitment of these staff members and motivate them to work for the Company's advancement and growth.

The plan reinforces the role of the Group's responsibility centers in Europe and the rest of the world. In Automotive, it applies in particular to sales subsidiaries, vehicle and powertrain engineering teams, managers of body assembly and powertrain plants, industrial subsidiaries and all the heads of vehicle and sub-system programs and projects. The plan also applies to Sales Financing, and to the heads of the Group's major support functions.

2. Grant policy

Grants of options and shares vary according to the beneficiaries' level of responsibility and contribution to the Company, an appraisal of their performance and results, and, for younger staff members, an assessment of their development potential.

The beneficiaries are divided into three categories.

- **Senior executives**

The senior executives are the 29 members of the Renault Management Committee, including the members of the Group Executive Committee who were 11 on March 1st, 2015.

As regards the Chairman, the number of LTIs allocated is set by the Board of Directors, on the proposal of the Remuneration Committee. The Remuneration Committee performs its work with the help of a specialised consulting firm, based on analyses of the compensation paid by global automakers including VW, Toyota, Daimler, General Motors, Ford Motors, Honda Fiat, BMW, PSA, etc.

Reports prepared by the specialised consulting firm show that the practice of companies in continental Europe is to set LTIs (performance shares or options) in volume and not in value, although the latter course being adopted by some listed companies, notably in the US.

The practice of the Renault group is attributable to the difficulty and above all the variability of valuation methods. As each company has its own methodology, it is easier to compare allocations from one company to another in volume rather than value.

For example, the most common valuation, which is generally “binomial”, depends among other factors on the share price at the date of the grant, market conditions (volatility of the share price) and prospective dividend payments during the vesting period, as well as presence, and internal and external performance conditions. As such, the valuation of a single number of shares can vary by more than 50% over a period of six months. A policy of allocation by volume is more constant and enduring, and avoids the significant “windfall” allocations resulting from a low share price on the grant date.

- **Managing executives**

In principle, the managing executives are granted a variable number of shares each year, based on the same criteria as those applicable to senior executives, namely levels of responsibility, performance and results. The quantity of shares granted can vary, depending on individual appraisals. Some managing executives may not be eligible for an award.

- **Other executives benefiting from the plan**

The plan’s other beneficiaries are generally senior managers and high-flyers with strong professional or managerial potential. An array of complementary systems is used to assess and select grantees (annual performance and development review, Careers Committees, personal monitoring for high-flyers, job-related variable remuneration). Taken together, these systems form a comprehensive observation platform used to single out the most deserving executives.

All these granted categories represent around 900 executives each year. For information, the total number of beneficiaries was 892 under 2012 plan, 861 under 2013 plan and 898 under 2014 plan.

3. Performance Criteria

➢ Requirement of the criteria

All the allocations, whoever the beneficiaries concerned, are subject to a condition of presence of at least two years from the allocation date of performance shares and to performance conditions assessed over three consecutive financial years at the minimum.

Since 2006, performance criteria have been defined for all the employees. These criteria are stringent, verifiable and quantifiable.

For instance, no performance shares were granted under 2011 plans. Only 50% of the performance shares were granted under the 2012 plan, due to the achievement of only one criterion related to the Free-Cash-Flow (FCF):

- 50% of the shares were to be granted if:
  - the FCF ≥ 500 million Euros in 2012, or
  - cumulative FCF ≥ 1.2 billion Euros for the 2011/2012 period;
- - 50% of the shares were to be granted if:
  - operating margin ≥ 3% under the economic conditions used in the Company's budget (Europe -3% / France -6%), or
  - operating margin ≥ 2% under deteriorated economic conditions (European market decline of more than 3% and / or French market decline of more than 6%).

When the criteria are not reached, all the granted shares become not exercisable or unvested at the end of the period of unavailability or of acquisition.

➢ Nature of the criteria

The performance criteria, which are defined for each plan by the Board of Directors upon proposal from the Compensation Committee, are the following:

- The operating margin and/or the free cash flow for 50% of the performance shares granted;
- The variation on the automotive operating margin in percentage points compared to a panel of car manufacturers with the same geographical and sectoral "drivers" (PSA auto, Fiat auto EMEA, VW Brand and Skoda Brand) for 50% of the performance shares granted.

  It should be noted that two of the companies in the panel, PSA and Fiat Auto EMEA, reported operating losses in 2013, with negative margins of 2.9% and 1.8% respectively. This criterion is therefore more demanding than it initially appears, because it will be more difficult for Renault to improve on the margin of 1.3% recorded in 2013.

The balance between the two criteria mentioned above will remain unchanged for all plans, except if changes are necessary given the economic context (for example: modification of the business scope of one of the members of the panel) Any change will have to be decided by the Board of Directors and will be disclosed on the company website.

The allocations to the Chairman and CEO are subject to an additional criterion in order to strengthen the plan requirements:

- The operating margin and/or the free cash flow for 1/3 of the performance shares granted;
- The variation on the automotive operating margin in percentage points compared to a panel of car manufacturers with the same geographical and sectoral “drivers” (PSA auto, Fiat auto EMEA, VW Brand and Skoda Brand) for 1/3 of the performance shares granted;
- The total share return (TSR) compared to CAC 40 for 1/3 of the performance shares granted.

For reasons of confidentiality, it is not possible to disclose the targets for the first criteria above.

For the other two criteria, the objectives are:

1. Change in the Automotive division operating margin:

Renault’s position in the panel	**Percentage of performance shares vested**
1 or 2	33.33%
3	30%
4	22.33%
5	0%

2. Total share return (TSR)

Objectives	**Result**	**Percentage of performance shares vested**
Maximum threshold	= TSR	33.33%
Target	TSR – 5%	20%
Minimum threshold	TSR – 10%	0%

TSR is assessed in relation to the following two indices, each of which accounts for 50%, as shown below:

a) TSR Euro Stoxx Auto & Parts:

Objectives	**Result**	**Percentage of performance shares vested**
Maximum threshold	= TSR	16.66%
Target	TSR – 5%	10%
Minimum threshold	TSR -10%	0%

b) TSR Euro Stoxx ex Financials:

Objectives	Result	Percentage of performance shares vested
Maximum threshold	= TSR	16.66%
Target	TSR – 5%	10%
Minimum threshold	TSR -10%	0%

The final percentage allocated is the sum of the percentages of the two TSRs.

It should be noted that a rate of 100% is harder to achieve with the establishment of a comparative in relation to two TSR indices.

Renault's TSR may, for instance, be equal to the EuroStoxx Auto & Parts TSR while nevertheless being more than 10% below the Euro Stoxx ex Financials TSR. Should this be the case, the percentage would be 16.66%, or 50% of the maximum allocation.

- **The assessment of the criteria**

Upon proposal from the Compensation Committee, the Board of Directors defines each year the thresholds of operating margin and/or of free cash flow to reach (minimum threshold, target, maximum) for the calculation of the performance.

The number of performance shares definitely granted to the beneficiaries at the end of the acquisition period is calculated by applying to the number of performance shares initially granted a coefficient measuring the performance for each criteria.

This coefficient varies from 0 to 1, the coefficient 1 being the coefficient for a maximum performance. The number of shares granted will be equal to 0 below a performance corresponding to the minimum threshold; it will be 1 if the maximum performance is reached.

The Renault Group communicates the achievement levels at the end of each performance assessment period.

- **Clarification concerning the CEO's deferred variable portion**

The number of shares granted to the CEO in respect of deferred variable compensation is allocated each year on the basis of a coefficient, for three years. This ratio may vary on a scale ranging from 85% to 115%. It corresponds to the degree of achievement of financial criteria of the variable compensation (ROE, operating margin, FCF).

Thus, after three years of performance measurement, the number of shares allocated to the CEO in respect of the deferred variable portion can range from 61.4% to 152.1% of the original grant.