

**Boulogne-Billancourt, April 13th, 2016**

## **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.

In 2016, the shareholders will be asked to vote upon a new resolution in order to benefit from the new system put into place by the "Macron" law.

### **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 performance shares help to increase the commitment of these staff members and motivate them to work for the Company's progress and growth.

The plan reinforces the role of the Group's responsibility centres 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 shares vary according to the beneficiaries' level of responsibility and contribution to the Company and 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 27 members of the Renault Management Committee, including the members of the Group Executive Committee who were 12 on April 1<sup>st</sup>, 2016.

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. Thus, the current policy of the Board of Directors is to grant to senior executives the same number of shares each year, regardless of the stock price, in order to avoid any "dead-weight" effect.

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 861 under the 2013 plan, and 898 under the 2014 plan, and 1,019 under the 2015 plan.

**3. Performance Criteria**

➤ **Requirement of the criteria**

Pursuant to best practices among listed companies, all of the allocations, whoever the beneficiaries concerned, are subject to a condition of presence of at least three 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, stable, verifiable and quantifiable.

The achievement rates of the plans for which the period of performance assessment has expired are as follows:

- Plan No. 17, for the year 2011: no criteria were met,
- Multi-Year Plan No. 18, for the period 2011-2013: criteria were met at a rate of 100%,
- Plan No. 19, for the year 2012: criteria were met at a rate of 50%.
- Plan No. 20, for the year 2013: criteria were met at a rate of 88.48%.

If the criteria are not met, all of the shares granted become either not exercisable, or unvested, at the end of the vesting period.

➤ **Nature of the criteria**

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

In the event that the resolution proposed is approved by the General Meeting, the criteria for the 2016 Plan would be as follows:

Two criteria would be applicable:

Free Cash Flow	Percentage	Vested amounts
Ceiling*	Budget + 10%	50%
Target*	Budget	40%
Floor*	Budget - 15%	0%

The Free Cash Flow annual budget is approved each year by the Board of Directors' meeting of the month of December.

For reasons of confidentiality, it is not possible to disclose the numerical Free Cash Flow targets.

\*Linear interpolation between the values

Average Operating Margin as a percentage, compared to a benchmark **	Percentage	Vested amounts
Ceiling*	Average + 10%	50%
Target*	Average	40%
Floor	< Average	0%

\*Linear interpolation between values

\*\*PSA auto, Fiat auto EMEA, VW Brand, Skoda Brand and Renault

➤ For the Chief Executive Officer

The allocation to the Chief Executive Officer will be subject to the two same criteria and to an additional criterion, in order to reinforce the stringency of the plan concerning him.

Free Cash Flow	Percentage	Vested amounts
Ceiling*	Budget + 10%	33.33%
Target*	Budget	26.7%
Floor*	Budget - 15%	0%

The Free Cash Flow annual budget is approved each year by the Board of Directors' meeting of the month of December.

For reasons of confidentiality, it is not possible to disclose the numerical Free Cash Flow targets.

\*Linear interpolation between values

Average Operating Margin as a percentage, compared to a benchmark **	Percentage	Vested amounts
Ceiling*	Average + 10%	33.33%
Target*	Average	26.7%
Floor	< Average	0%

\*\*PSA auto, Fiat auto EMEA, VW Brand, Skoda Brand and Renault

Total Shareholder Return (TSR)	Percentage	Vested amounts (1)
Ceiling*	TSR Renault > benchmark + 10%	33.33%
Target*	TSR Renault = benchmark	15%
Floor	TSR Renault < benchmark	0%

(1) The final percentage granted is the sum of the result of the Euro Stoxx Auto & Parts index for 50%, and of the Euro Stoxx ex Financials index for 50%.

\*Linear interpolation between values

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.

If the criteria are not met, all of the shares allocated shall become either non-exercisable, or unvested, at the expiration of the period of unavailability or vesting period.