

# **ANNUAL SHAREHOLDERS MEETING**

**May 18, 2018**

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- 1. 2017 compensation of the Chief Executive Officer and the Chairman of the Supervisory Board**
- 2. Compensation policy for the Managing Partners**
- 3. Succession plan for the Chief Executive Officer and vetting process for two new Managing Partners**
- 4. Election of Supervisory Board members**

# Jean-Dominique Senard, Chief Executive Officer

## 2017 compensation: fixed and variable

- **Fixed compensation: €1,100,000 (unchanged since 2014)**
- **Other benefits**
  - Company car: €8,470
  - No stock options, performance shares or attendance fees
- **Variable portion based on the level of net income: €812,612**
- **Variable portion based on criteria: €883,716**

The variable portion is paid out of the profit shares approved each year by the Shareholders Meeting and paid to the General Partners for the risk incurred by virtue of their **unlimited joint and personal liability** for the Company's debts

# Jean-Dominique Senard, Chief Executive Officer

## 2017 compensation: annual variable component by type of criteria

<b>Quantitative criteria</b>	Annual growth in unit sales	Annual savings from the Efficiency project to reduce overheads	Annual structural free cash flow
Achievement rate	62/100 <sup>ths</sup>		
<b>Qualitative criteria</b>	Chief Executive Officer's Succession Plan	Deployment of the Group's four progress initiatives (Customer Service, Simplification of Operating Procedures, Empowerment, Digitalization)	
Achievement rate	35/50 <sup>ths</sup>		
<b>Overall achievement rate</b> <i>(rounded)</i>	97/150 <sup>ths</sup>		
<b>Amount awarded based on criteria</b>	€883,716		
<b>Total variable component payable for the year</b>	<b>€1,696,328</b>		

# Jean-Dominique Senard, Chief Executive Officer

## 2017 compensation: long-term incentive bonus due in the future

<b>Criteria</b> <i>(over the 2015-2017 period)</i>	Growth in the Michelin share price compared with that of the CAC 40 index	Average annual growth in Group net sales*	Average annual return on capital employed (ROCE)*
Growth in the Michelin share price over the period	55.4%		
Achievement rate	22%/33.3%	33.3%/33.3%	33.3%/33.3%
Amount due** <i>(in €)</i>	994,860		

\* On a like-for-like basis, excluding changes in exchange rates and non-recurring items

\*\* Following the Chief Executive Officer's request to cap the amount due

# Jean-Dominique Senard, Chief Executive Officer

## Compensation over the past three years

<i>(in € thousands)</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Fixed compensation	1,100	1,100	1,100
Annual variable compensation	1,696	1,700	1,277
Company car	8	8	7
Total	2,804	2,808	2,384
Long-term incentive bonus	995	495	-

# Compensation of Michel Rollier, Chairman of the Supervisory Board

## ● 2017 compensation

- Total amount for the year: €90 thousand
- 60% of this amount is subject to his attendance rate at meetings of the Supervisory Board and the Compensation and Appointments Committee
- Individual attendance rate in 2017: 100%

## ● Compensation policy

- No compensation is awarded to Michel Rollier aside from attendance fees, consistent with the policy applied for the top executives of other CAC 40 companies
- Most of the fee is contingent on his attendance rate at meetings of the Supervisory Board and the Committee of which he is a member

# Compensation policy for the Managing Partners

## Overview

- The 2017 compensation policy for the Chief Executive Officer was renewed for 2018
- This compensation policy will also cover the new Managing Partners up for election at this Shareholders Meeting, with some adjustments related to:
  - The 2018-2019 transition period
  - The specific role of the Chief Executive Officer
  - The various responsibilities and the individual situation of each General Managing Partner and of the Non-General Managing Partner



# Compensation policy for the Managing Partners

## Summary

- **Fixed compensation: stable and consistent** with the fixed compensation paid to the top executives of other CAC 40 companies and **in harmony** with their annual variable compensation
- **Annual variable compensation** subject to the achievement of performance conditions **measured on the basis of quantitative criteria** (financial and social responsibility criteria shared with the Group's management) **and qualitative criteria**, set and measured by the Supervisory Board
- **Long-term incentive bonus** subject to the achievement of performance conditions over a three-year period, in compliance with the **recommendations of the AFEP/MEDEF Code**

# Compensation policy for the Managing Partners

## Supplementary pension benefits

- Applicable to all senior executives of the two main French companies who have served for at least five years as a senior executive
- Only the fixed component of their compensation is taken into account to calculate the annuity, its maximum amount and the maximum replacement rate
- Replacement rate capped at 35% of the fixed component (including entitlements under compulsory plans), which is well below the 45% ceiling for fixed and variable compensation recommended in the AFEP/MEDEF Code
- Payment of a gross annual maximum annuity of €165,000 to the current Chief Executive Officer after 10 years of service, conditional on his ending his career with the company

# Compensation policy for the Managing Partners

## Other compensation components and benefits

In line with the AFEP/MEDEF Code, the amount of other compensation components would be reduced, if applicable, so that the total sum paid would not result in an aggregate severance package in excess of the prior two years' compensation

- **Compensation for loss of office** as a result of a change of strategy or a change of control would be subject to **performance conditions** decided by the Supervisory Board
- **Non-compete indemnity**
- **Other benefits:** Company car  
*(no stock options, performance shares or attendance fees)*

# Succession plan for the Chief Executive Officer and vetting process for two new Managing Partners

Steering the Group's leadership transition as Jean-Dominique Senard's term of office as Chief Executive Officer and General Partner expires in May 2019 *(See press release dated February 9, 2018)*

Deployment of a rigorous, thorough selection process, in accordance with Michelin's bylaws:

- Analysis of the performance appraisals of key executives by the Compensation and Appointments Committee beginning in 2016 with a view to laying the groundwork for the Chief Executive Officer's succession (performance target in Jean-Dominique Senard's 2016 variable compensation package)
- Research, vetting and review of candidates by the Non-Managing General Partner (SAGES) in cooperation with Jean-Dominique Senard
- Presentation of candidates by SAGES to the Supervisory Board's Compensation and Appointments Committee, which is chaired by the Supervisory Board's Senior Independent Member and which has a majority of independent members

# Succession plan for the Chief Executive Officer and vetting process for two new Managing Partners

- Assessment of the candidates by this Committee in line with best corporate governance practices and in the interests of Michelin and its shareholders, with a special focus on each candidate's experience, their knowledge of the Group's businesses and the complementary nature of their respective backgrounds and skills
- Supervisory Board consulted by SAGES on Florent Menegaux's candidature as General Managing Partner and Yves Chapot as Non-General Managing Partner to assist him in his new role
- Unanimous favorable opinion on this proposal issued by the Supervisory Board
- Approval of this proposal by Jean-Dominique Senard, acting as General Managing Partner, and presentation of the related shareholder resolutions
- Following the election of the new Managing Partners by the Shareholders Meeting and acting on the Supervisory Board's recommendation, SAGES will appoint the Chief Executive Officer

# Election of Supervisory Board members



## Monique Leroux

- Independent member of the Supervisory Board since October 2015 and member of the Audit Committee
- Owns 1,000 Michelin shares
- Chair of the Board of Directors of Invest Quebec
- Chair of the Quebec Government's Advisory Committee on the Economy and Innovation
- Former Chair of the Board, President and Chief Executive Officer of Mouvement des Caisses Desjardins and member of the Board of International Cooperative Alliance

# Election of Supervisory Board members



## Cyrille Poughon

- Member of the Supervisory Board since May 2014 and member of the Audit Committee
- Owns 410 Michelin shares
- Leader of the Head Office Security and Safety Program at Manufacture Française des Pneumatiques Michelin
- Former secretary of the Michelin European Works Council

# Election of Supervisory Board members



## **Thierry Le Hénaff** (new member)

- Chairman and Chief Executive Officer of Arkema
- Engineering degrees from Ecole Polytechnique and Ecole Nationale des Ponts et Chaussées and a Master's degree in Industrial Management from Stanford University (USA)
- Independent member
- Managerial experience in the transformation of a major international industrial group
- Owns 400 Michelin shares