

MAY 2019

# **COMPENSATION POLICIES APPLICABLE TO MANAGEMENT IN 2019**

# Presentation of the compensation policies applicable to Management in 2019

- Similar to 2018, the 2019 compensation policy will be applied to three Managers during only part of the year
- Since Jean-Dominique Senard steps down from his position as Managing Chairman at the close of the Annual Shareholders Meeting of May 17, 2019, the Company has only two Managers:
  - Florent Menegaux who succeed Jean-Dominique Senard as Managing Chairman in accordance with the Company's Bylaws
  - Yves Chapot, General Manager

Apart from the adjustments made necessary by this transitional situation, there are no fundamental changes in the 2019 compensation policy presented here compared to the 2018 policy, and the drive to simplify certain components of the policy has been pursued

# Jean-Dominique Senard, Managing Chairman (until May 17, 2019)

## Annual Fixed

Prorated amount  
(based on an unchanged  
annual amount of €1,100,000)

Fringe benefit\*

## Multi-Criterion Annual Variable

For up to 18% of the Profit Shares  
(Prorated to reflect the period served in 2019)

The Annual Variable Component is paid out of the Profit Shares allocated to the General Partners under the Bylaws, capped at 0.6% of the Group's consolidated net income and approved at the Annual Shareholders Meeting as part of the appropriation of net income

### Quantitative criteria based on:

1. Net income for the year

8 % of the Profit Shares

2. Business growth,  
the level of overheads and  
growth in free cash flow

For up to 6% of the Profit Shares

### Quantifiable qualitative

criteria based on the  
Group's strategic ambitions  
and managerial expectations

For up to 4% of the Profit Shares

The following will be applied to each criterion (save for the criterion related to net income for the year):

- A trigger point below which no compensation will be due
- An intermediate tranche between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable

## Long-term incentive

Not awarded in 2019

\*Company car

# Florent Menegaux, Managing General Partner, Managing Chairman from May 18, 2019

## Annual Fixed

€900,000

Fringe benefit\*

## Multi-Criteria Annual Variable

For up to 20% of the Profit Shares

## Long-term incentive

Performance conditions over 3 years

For up to 30% of the Profit Shares

The Annual Variable Component and the Long-term incentive are paid in full out of the Profit Shares

### Quantitative criteria based on:

1. Net income for the year

6 % of the Profit Shares

2. Business growth,  
the level of overheads and  
growth in free cash flow

For up to 10% of the Profit Shares

Quantifiable qualitative  
criteria based on the Group's  
strategic ambitions and  
managerial expectations

For up to 4% of the Profit Shares

The following will be applied to each criterion (save for the criterion related to net income for the year):

- A trigger point below which no compensation will be due
- An intermediate tranche between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable

### 3 criteria

- Growth in the Michelin share price (for up to 11% of the Profit Shares)
- CSR performance – two indicators (for up to 8% of the Profit Shares)
- Growth in the Business Units' operating income (for up to 11% of the Profit Shares)

The following will be applied to each criterion:

- A trigger point below which no compensation will be due
- One or several intermediate tranches between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable

\*Company car

# Yves Chapot, General Manager

## Annual Fixed

€600,000

Fringe benefit\*

## Multi-Criteria Annual Variable

Base: 150% of fixed compensation

**Quantitative criteria** based on operating income and business growth, the level of overheads and growth in free cash flow

Up to 80% of the base

**Quantifiable qualitative criteria** based on the Group's strategic ambitions and managerial expectations

Up to 20% of the base

The following will be applied to each criterion:

- A trigger point below which no compensation will be due
- An intermediate tranche between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable

## Long-term incentive

Performance conditions over 3 years

Base: 100% of fixed compensation

### 3 criteria

- Growth in the Michelin share price (*for up to 35% of the bonus*)
- CSR performance – two indicators (*for up to 30% of the bonus*)
- Growth in the Business Units' operating income (*for up to 35% of the bonus*)

The following will be applied to each criterion:

- A trigger point below which no compensation will be due
- One or several intermediate tranches between the trigger point and 100% of the objective, with the compensation prorated to the achievement rate for the objective
- 100% of the objective, corresponding to the level at which the maximum compensation for the criterion would be payable

\*Company car

## Compensation policy for the Chairman of the Supervisory Board from 2019

- The 2019 Annual Shareholders Meeting, approved the increase of the total compensation paid to Supervisory Board members (attendance fees) from €555,000 to €770,000 (12<sup>th</sup> resolution), to take into account.
- Effective from 2019, the compensation awarded to the Chairman of the Supervisory Board would be increased in roughly the same proportions as the total attendance fees, with most of the fee still based on the Chairman's attendance rate at Board meetings.