

# **RENAULT GROUP**

## ***CORPORATE GOVERNANCE AND REMUNERATION UPDATE***

### **MAY 2018**

# 01

## REMUNERATION UPDATE

# RESPONSIVE TO SHAREHOLDERS: REMUNERATION CHANGES SINCE 2016

## 2016 AGM to 2017 AGM

## 2017 AGM to 2018 AGM

### Shareholder Engagement

- Following the 2016 AGM vote outcome on the CEO's remuneration, the Remuneration Committee conducted a thorough review of the remuneration structure to better understand the reasons for the negative outcome
- As part of this review, the Committee undertook a significantly expanded shareholder outreach effort to solicit investor perspectives on the incentive plans and feedback on proposed changes to the plans
  - Over 15 meetings were held with investors regarding the Company's remuneration programs
  - Patrick Thomas, Chairman of the Remuneration Committee, participated in a number of these meetings, in order to understand investor concerns and relay feedback to the full Board for consideration
- In response to the program's review and the feedback received from our shareholders, the Remuneration Committee made a number of meaningful changes to the remuneration structure for 2016

- The 2017 AGM remuneration vote outcomes were meaningfully improved relative to 2016, demonstrating shareholder support for the changes implemented
- The Remuneration Committee continues to refine the remuneration structure in close collaboration with shareholders
  - We recently met with 6 of our largest investors to discuss a few additional changes to the remuneration structure and will continue engaging investors leading up to 2018 AGM
  - These changes aim to bring the performance objectives under the long-term incentive plan in line with the Company's new six-year Strategic Plan, announced in October 2017
  - The Committee has also sought to limit the potential payouts under our long-term plan, in-line with shareholder feedback, and to reduce total payouts to CEO, to reflect his new role

### Remuneration Changes Implemented

#### Variable Pay Structure

- No pay for failure
- Deferred variable pay no longer subject to any adjustment
- Reduced target annual bonus cap from 150% to 120% of fixed pay
- Increased weight of quantitative performance metric under variable bonus to 70%
- Reduced the number of qualitative criteria, from 6 to 4

#### Pay-out Calculations

- Simplified and increased transparency around financial performance targets and disclosed stretch targets for each performance metric under short-term and long-term variable pay plans
- Disclosed 2 extraordinary financial performance targets to achieve maximum pay-out of 180% of salary
- Increased the weight of ROE metric to 15% from 10%

#### Quantum

- Reduced each of base salary, target variable compensation and target long-term incentive award for CEO

#### Long-Term Incentive Plan

- Implemented a cap on long-term incentive awards
- Refined performance objectives to:
  - Include two additional objectives that will incentivize achievement of key initiatives under the new long-term Strategic Plan, *Drive the Future*: Alliance platforms and electric vehicles
  - Remove relative operating margin metric
  - Modify weightings of all performance objectives to reflect the above changes



# REMUNERATION PROGRAM OUTCOMES FOR 2017

Element	Payout in 2017
<b>Fixed Compensation</b>	<ul style="list-style-type: none"> <li>▪ €1,230,000 paid in cash</li> </ul>
<b>Variable Compensation</b>	<ul style="list-style-type: none"> <li>▪ €1,451,400 total representing 118% of base salary                             <ul style="list-style-type: none"> <li>– €362,850 paid immediately in cash</li> <li>– €1,088,550 deferred in shares</li> </ul> </li> </ul>
<b>Long-Term Incentives</b>	<ul style="list-style-type: none"> <li>▪ Grant of 100,000 performance shares                             <ul style="list-style-type: none"> <li>– Payout will be contingent on achievement of performance objectives over 3-year performance period</li> </ul> </li> </ul>

## VARIABLE COMPENSATION: 2017 PERFORMANCE AGAINST OBJECTIVES

- **Financial performance objectives:** 85% of base salary
  - Return on equity: *15% out of 15% achieved*
  - Group operating margin: *35% out of 35% achieved*
  - Free cash flow: *35% out of 35% achieved*
- **Managerial performance objectives:** 35% of base salary
  - Monitoring of competitive agreement in France: *7% out of 7% achieved*
  - Quality of the environmental & CSR commitments: *7% out of 8% achieved*
  - Partnerships and Alliance synergies: *9% out of 10% achieved*
  - Development of a multi-year R&D strategy: *10% out of 10% achieved*
- **Additional performance objectives:** 60% of base salary
  - Achievement of all financial and managerial performance objectives: *Not achieved*

2017 variable compensation represents 118% of base salary



# REMUNERATION PROGRAM DESIGN COMPARISON: 2017 & 2018 GO-FORWARD

Element	2017	2018 Go-Forward
<b>Fixed Compensation</b>	<ul style="list-style-type: none"> <li>Equal to €1,230,000</li> </ul>	<ul style="list-style-type: none"> <li>Equal to €1,000,000</li> </ul>
<b>Variable Compensation</b>	<p><b>Payment terms</b></p> <ul style="list-style-type: none"> <li>25% paid immediately in cash</li> <li>75% deferred in shares and not subject to any adjustment</li> </ul> <p><b>Performance objectives and targets</b></p> <ul style="list-style-type: none"> <li>Target variable component of <b>120% of base salary</b> <i>Reduced from 120% to 100%</i> <ul style="list-style-type: none"> <li><b>Financial performance objectives: 70% of target bonus</b> <ul style="list-style-type: none"> <li>Return on equity: <b>15%</b> (Max payout for ROE ≥ 10%)</li> <li>Group operating margin: <b>35%</b> (Max payout for COP ≥ budget+0,2 pt)</li> <li>Free cash flow: <b>35%</b> (Max payout for FCF ≥ Budget + 50%)</li> </ul> </li> <li><b>Managerial performance objectives: 30% of target bonus</b> <ul style="list-style-type: none"> <li>Monitoring of competitive agreement in France: <b>7%</b></li> <li>Quality of the environmental &amp; CSR commitments: <b>8%</b></li> <li>Partnerships and Alliance synergies: <b>10%</b></li> <li>Development of a multi-year R&amp;D strategy: <b>10%</b></li> </ul> </li> </ul> </li> <li>Additional variable component of <b>60% of base salary</b>, contingent on achievement of:           <ul style="list-style-type: none"> <li>All financial and managerial performance objectives</li> <li><b>Additional performance objectives: 60% of base salary</b></li> </ul> </li> </ul>	<p><b>Payment terms</b></p> <ul style="list-style-type: none"> <li>25% paid immediately in cash</li> <li>75% deferred in shares and not subject to any adjustment</li> </ul> <p><b>Performance objectives and targets</b></p> <ul style="list-style-type: none"> <li>Target variable component of <b>100% of base salary</b> <ul style="list-style-type: none"> <li><b>Financial performance objectives: 70% of target bonus</b> <ul style="list-style-type: none"> <li>Return on equity: <b>10%</b> (Max payout for ROE ≥ 10%)</li> <li>Group operating margin: <b>30%</b> (Max payout for COP ≥ budget+0,2 pt)</li> <li>Free cash flow: <b>30%</b> (Max payout for FCF ≥ Budget + 50%)</li> </ul> </li> <li><b>Managerial performance objectives: 30% of target bonus</b> <ul style="list-style-type: none"> <li>Monitoring of competitive agreement in France: <b>6%</b></li> <li>Quality of the environmental &amp; CSR commitments: <b>7%</b></li> <li>Partnerships and Alliance synergies: <b>8%</b></li> <li>Development of a multi-year R&amp;D strategy: <b>9%</b></li> </ul> </li> </ul> </li> <li>No more additional variable component</li> </ul>
<b>Long-Term Incentives</b>	<ul style="list-style-type: none"> <li>Target award of <b>100,000 performance shares</b>, contingent on achievement of performance objectives measured annually over three years</li> <li><b>Performance objectives: 100% of target award</b> <ul style="list-style-type: none"> <li>TSR vs. average of TSR for Euro Stoxx excluding Financials and TSR for Euro Stoxx Automobile &amp; Parts: <b>33.3%</b> (No payout for TSR &lt; Benchmark)</li> <li>Free cash flow: <b>33.3%</b> (No payout for FCF &lt; Budget)</li> <li>Automotive operating margin vs. average of peer panel<sup>1</sup>: <b>33.3%</b> (No payout for COP auto &lt; average)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Target award of <b>80,000 performance shares</b>, contingent on achievement of performance objectives measured over a 3-year cumulative period</li> <li><b>Performance objectives: 100% of target award</b> <ul style="list-style-type: none"> <li>TSR vs. average of TSR for Euro Stoxx excluding Financials and TSR for Euro Stoxx Automobile &amp; Parts: <b>10%</b> (No payout for TSR &lt; Benchmark)</li> <li>Free cash flow: <b>30%</b> (No payout for FCF &lt; Budget)</li> <li>Alliance platforms: <b>30%</b> (No payout for Alliance platforms &lt; Budget)</li> <li>Electric vehicles: <b>30%</b> (No payout for EV &lt; Budget)</li> </ul> </li> </ul>

## Changes to Long-Term Performance Objectives

Performance objectives refined to include two new objectives that are tied to new six-year Strategic Plan, Drive the Future

- NEW: Alliance platforms: 30%**
  - Measure:** Percent of vehicles produced through Alliance platform
  - Rationale:** Ability to use Alliance platform to increase cost synergies is a key performance lever for Renault
- NEW: Electric vehicles: 30%**
  - Measure:** Electric vehicle sales
  - Rationale:** Key lever to take advantage of the energy revolution and keep Renault's competitive advantage
- REVISED: Free cash flow: 30%**
  - Rationale:** Modified weighting to reflect above changes
- REVISED: Relative TSR: 10%**
  - Rationale:** Modified weighting to reflect above changes
- REMOVED: Relative automotive operating margin**
  - Rationale:**
    - Goal achieved now that operating margin aligned with peers
    - Significant changes in business mix of peers
    - Closely tied to retained FCF metric

<sup>1</sup> The panel comprises the following manufacturers: Fiat, PSA, Skoda, Volkswagen and Renault.

# REMUNERATION PROGRAM DESIGN FOR 2018

- For 2018, we have made a few additional changes to our remuneration program structure, primarily to align the performance objectives under our long-term incentive plan with our new six-year Strategic Plan, announced in October 2017, and appropriately incentivize executives towards achievement of this plan
- We also implemented a cap on the number of performance shares that can be issued under the long-term incentive plan, in response to shareholder feedback, and reduced target total compensation to our CEO, to reflect his new role

Element	Payment Terms	Terms	Performance Objectives
<b>Fixed Compensation</b>	<ul style="list-style-type: none"> <li>100% cash</li> </ul>	<ul style="list-style-type: none"> <li><b>REVISED for 2018:</b> Equal to €1,000,000</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
<b>Variable Compensation</b>	<ul style="list-style-type: none"> <li>25% paid immediately in cash</li> <li>75% deferred in shares and subject to a three-year employment condition with Renault</li> <li>Not subject to any adjustment</li> </ul>	<ul style="list-style-type: none"> <li><b>REVISED for 2018:</b> Target annual bonus of <b>100% of base salary</b> <ul style="list-style-type: none"> <li><b>Financial performance objectives: 70% of base salary</b></li> <li><b>Managerial performance objectives: 30% of base salary</b></li> </ul> </li> <li><b>NEW for 2018:</b> No more additional variable component of <b>60% of base salary</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Financial performance objectives: 70% of base salary</b> <ul style="list-style-type: none"> <li>Return on equity: 10%</li> <li>Group operating margin: 30%</li> <li>Free cash flow: 30%</li> </ul> </li> <li><b>Managerial performance objectives: 30% of base salary</b> <ul style="list-style-type: none"> <li>Monitoring of competitive agreement in France: 6%</li> <li>Quality of the environmental &amp; CSR commitments: 7%</li> <li>Partnerships and Alliance synergies: 8%</li> <li>Development of a multi-year R&amp;D strategy: 9%</li> </ul> </li> </ul>
<b>Long-Term Incentives</b>	<ul style="list-style-type: none"> <li>Performance shares subject to three consecutive years of performance conditions and a four-year employment condition with Renault</li> <li>Subject to holding of 25% shares until the end of office</li> </ul>	<ul style="list-style-type: none"> <li><b>REVISED for 2018:</b> Target award of 80,000 performance shares, contingent on achievement of performance objectives           <ul style="list-style-type: none"> <li><b>NEW for 2018:</b> Cap on long-term incentive awards set at 80,000 performance shares</li> </ul> </li> <li>Performance is measured over a 3-year cumulative period</li> </ul>	<ul style="list-style-type: none"> <li><b>Performance objectives:</b> 100% of target award           <ul style="list-style-type: none"> <li><b>REVISED for 2018:</b> TSR vs. average of TSR for Euro Stoxx excluding Financials and TSR for Euro Stoxx Automobile &amp; Parts: 10%</li> <li><b>REVISED for 2018:</b> Free cash flow: 30%</li> <li><b>NEW for 2018:</b> Alliance platforms: 30%</li> <li><b>NEW for 2018:</b> Electric vehicles: 30%</li> </ul> </li> </ul>



# 02

## **ADDITIONAL INFORMATION ON CORPORATE STRATEGY AND GOVERNANCE**

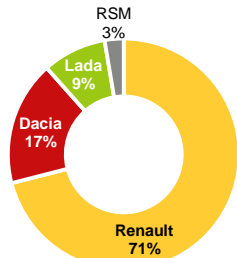
# OVERVIEW OF RENAULT

## BUSINESS DESCRIPTION

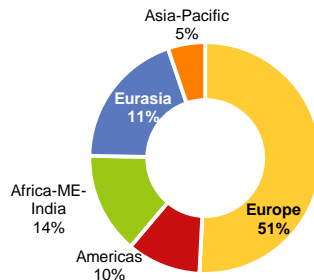
- World's leading French automotive brand and Europe's #2 automotive brand
- Sells a range of over 30 types of passenger cars and light commercial vehicles under four brands: Renault, Dacia, Lada and Renault Samsung Motors
- Created an Alliance with Nissan in 1999 that was joined by Mitsubishi in 2016; also maintains a strategic cooperation with Daimler
- Key figures in 2017:
  - €58.8 million in revenues
  - COP at 6.6% of Group revenues
  - 3.76 million vehicles sold, a new sales record
  - More than 12,500 points of sale in over 125 countries
  - Top 3 markets included France, Russia and Germany
- Founded in 1898; over 180,000 employees worldwide

## 2017 SALES VOLUMES

### BY BRAND

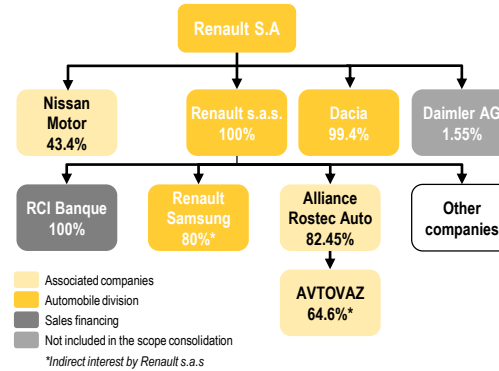


### BY REGION

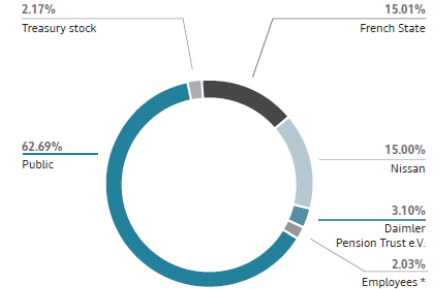


## STRUCTURE OF RENAULT (2017)

### GROUP STRUCTURE



### CAPITAL OWNERSHIP



\* The portion of shares held by employees and former employees that are taken into account in this category corresponds to shares held in the FCPE mutual fund.

## INVESTMENT THESIS

### RENAULT'S EVOLUTION

**Stronger foundation**  
**A stronger, healthier group**  
**Sustainable, profitable growth**  
**Ready to address industry challenges**  
**Strong leverage in growing markets**

**Benefits for all stakeholders**

### KEY ASSETS

- Alliance scale and technology**
- Electric vehicle leadership**
- Global access expansion**
- LCV globalization**
- RCI Bank & Services**



# STRATEGY AND PERFORMANCE HIGHLIGHTS

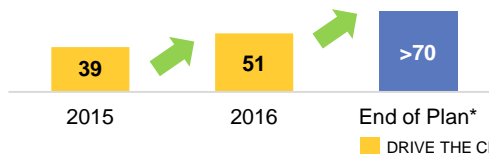
## DRIVE THE FUTURE: 2017 – 2022

Our new six-year Strategic Plan, *Drive the Future*, builds on the strong foundation of our last plan, *Drive the Change*, which resulted in record growth and operating profit, increased synergies through the Alliance with Nissan, empowered regions, expanded product mix and leadership in zero-emission vehicles in Europe

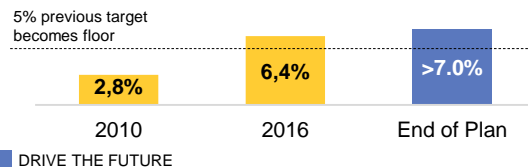
### KEY TARGETS & OBJECTIVES

- Now that Renault is a healthy, profitable, global company, *Drive the Future* is focused on delivering strong, sustainable growth benefiting from investments in key regions and products, leveraging Alliance resources and technologies, and increasing our cost competitiveness

### STRONG REVENUE GROWTH (€ in BN)



### HIGH LEVEL OF OPERATING PROFIT



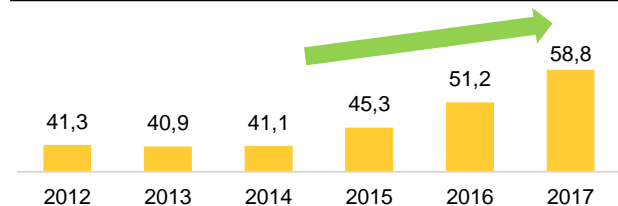
### FOUR FOCUS AREAS

- Increase our competitiveness**
  - Benefiting from a product range across all segments
  - Improving costs thanks to efficiency all along the value chain
  - Attracting best talent and re-skilling our workforce
- Increase our geographic strength**
  - Extend and renew our global access range
  - LCV: from European leadership to top global player
- Provide the mobility of the future**
  - Continue to lead in electric vehicles
  - Provide connected, autonomous vehicles and mobility services
- Leverage our Alliance resources**
  - Produce 80% of Groupe Renault vehicles on common platforms
  - Share R&D investments and technologies

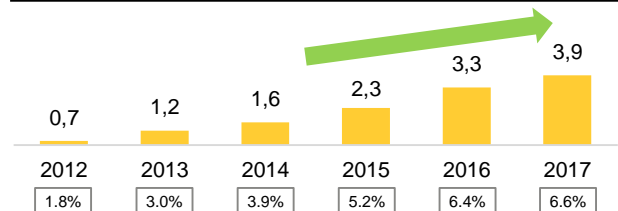


## RECENT FINANCIAL RESULTS (€ in BN)

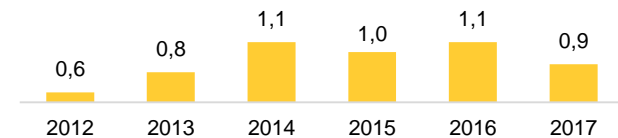
### GROUP REVENUES



### GROUP OPERATING MARGIN



### AUTOMOTIVE OPERATIONAL FREE CASH FLOW



# RENAULT'S BOARD OF DIRECTORS

BOARD OF DIRECTORS



**Carlos Ghosn**  
**Chairman of the Board**  
 CEO, Renault; Chairman, Nissan, Mitsubishi Motors Corp  
*Committees: None*  
 Date of Appointment: April 2002  
 Term Expires: 2018 AGM



**Thierry Derez** (NEW)  
 CEO & Chairman, Covéa; CEO & Chairman, GMF; CEO & Chairman, MAAF Assurances  
*Committees: None*  
 Appointed February 2018




**Yu Serizawa**  
 President & Chairman, Forma Corporation  
*Committees: None*  
 Date of Appointment: Dec 2016  
 Term Expires: 2021 AGM



**Philippe Lagayette**  
**Lead Independent Director**  
 CEO, J.P. Morgan & Cie S.A.S  
*Committees: Audit, Risk and Ethics (Chair), Remuneration*  
 Date of Appointment: May 2007  
 Term Expires: 2019 AGM



**Pascal Faure**  
 Director-General of Enterprises  
*Committees: International & Industrial Strategy*  
 Date of Appointment: February 2013  
 Term Expires: 2021 AGM



**Pascale Sourisse**  
 Senior Executive Vice-President, Int'l Development, Thales Group  
*Committees: Audit, Risk and Ethics*  
 Date of Appointment: April 2010  
 Term Expires: 2018 AGM



**Catherine Barba**  
 Founder, CB Group  
*Committees: Appointments and Governance*  
 Date of Appointment: June 2017  
 Term Expires: 2018 AGM



**Richard Gentil**  
 Technician, Renault  
*Committees: International & Industrial Strategy*  
 Date of Appointment: Nov 2012  
 Term Expires: Nov 2020



**Patrick Thomas**  
 Vice-Chairman, Laurent Perrier  
*Committees: Remuneration (Chair), Audit, Risk and Ethics, Appointments and Governance*  
 Date of Appointment: April 2014  
 Term Expires: 2018 AGM



**Frédéric Barrat**  
 Special Projects Planning Manager, Renault  
*Committees: International & Industrial Strategy*  
 Date of Appointment: Nov 2016  
 Term Expires: Nov 2020



**Marc Ladreit de Lacharrière**<sup>1</sup>  
 CEO & Chairman, Fimalac (France)  
*Committees: Appointments and Governance (Chair), Remuneration*  
 Date of Appointment: Oct 2002  
 Term Expires: 2018 AGM



**Martin Vial**  
 Commissioner for State Holdings  
*Committees: Audit, Risk and Ethics, Appointments and Governance*  
 Date of Appointment: Sept 2015  
 Term Expires: N/A



**Cherie Blair**  
 Founder & Chair, Omnia Strategy  
*Committees: Audit, Risk and Ethics*  
 Date of Appointment: April 2015  
 Term Expires: 2019 AGM



**Benoît Ostertag**  
 Quality Process Leader, Renault  
*Committees: Audit, Risk and Ethics, International & Industrial Strategy*  
 Date of Appointment: May 2011  
 Term Expires: 2021 AGM




**Yasuhiro Yamauchi**  
 Chief Competitive Officer, Nissan  
*Committees: International and Industrial Strategy*  
 Date of Appointment: Feb 2017  
 Term Expires: 2018 AGM



**Miriam Bensalah Chaqroun**  
 Vice-President and CEO, Les Eaux Minérales d'Oulmès  
*Committees: International & Industrial Strategy*  
 Date of Appointment: June 2017  
 Term Expires: 2021 AGM



**Éric Personne**  
 Head of Commercial and Quality Reporting, Renault Retail Group  
*Committees: Remuneration, Audit, Risk and Ethics*  
 Date of Appointment: Nov 2012  
 Term Expires: Nov 2020



**Pierre Fleuriot** (NEW)  
 Former CEO, Credit Suisse France  
*Committees: None*  
 Appointment proposed to next AGM



**Marie-Annick Darmailac**  
 VP, Corporate Social Responsibility, Vivendi  
*Committees: Appointments and Governance, Remuneration*  
 Date of Appointment: June 2017  
 Term Expires: 2021 AGM



**Olivia Qiu**  
 Chief Innovation Officer, Philips Lighting  
*Committees: Audit, Risk and Ethics*  
 Date of Appointment: April 2016  
 Term Expires: 2020 AGM

Legend:  
 I = Independent Director  
 □ = Independent director appointed in last three years  
 N = Elected on proposal of Nissan Motor Co.  
 F = Appointed by the French State  
 ES = Elected on proposal of the employee shareholders  
 E = Elected by employees

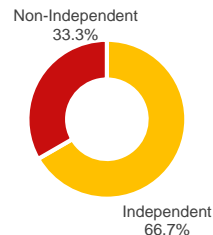
## BOARD COMPOSITION GOVERNANCE

Renault is administered by a Board of Directors with **19 members**, including:

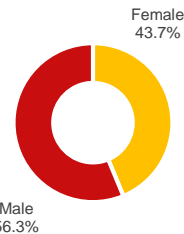
- 15 DIRECTORS** appointed by the Shareholders' Annual General Meeting, of whom
  - 2 directors** appointed on the proposal of Nissan and
  - 1 director** appointed on the proposal of the employee shareholders
- 1 DIRECTOR** appointed by administrative order and
- 1 DIRECTOR** appointed on the proposal of the French State, representing the French State
- 3 DIRECTORS** elected by employees

## KEY BOARD STATISTICS

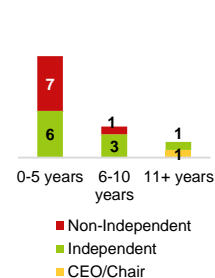
### INDEPENDENCE



### DIVERSITY



### TENURE



AS OF 31/12/2017



<sup>1</sup> Marc Ladreit de Lacharrière's term of office will expire at the 2018 AGM and cannot be renewed.

# BALANCED AND EFFECTIVE GOVERNANCE

To successfully meet its objectives and achieve top-level governance, Renault places great emphasis on achieving an effective balance between management, the board of directors and shareholders

## BOARD GOVERNANCE

Renault's Board has implemented various measures in order to guarantee a balance of powers with the combined CEO and Chairman role in line with best practice in governance:

- ✓ the presence of a **majority of independent directors** on the Board
- ✓ the presence of a **Lead Independent Director**, chosen from among the independent directors, having defined duties and responsibilities
- ✓ **Checks and balances at the Board level**, specified in the internal regulations of the Board

The Board :

- ✓ considers a robust list of **criteria when evaluating candidates** for membership to achieve a balance of experience, skills, independence and diversity on the Board
- ✓ reviews the **composition of the specialized committees** of the Board, including the independence, skill sets of directors and appointment of the committee Chairman
- ✓ **reviews the reports prepared by the Chairman** of each committee
- ✓ conducts a **regular self-assessment of its organization and operation**

## REMUNERATION GOVERNANCE

The Remuneration Committee, comprised of a majority of independent directors, seeks to align remuneration with the interests of Renault's shareholders through the following practices:

- ✓ Linking a **significant portion of total remuneration to company performance**
- ✓ Paying over **75% of remuneration in shares** and maintaining high pay at risk practices
- ✓ Maintaining a **balance of qualitative and quantifiable performance criteria** that align with the company's strategic objectives and financial performance
- ✓ Measuring the achievement of **short- and long-term incentives based on multiple performance metrics over a multi-year performance period**
- ✓ Establishing a **four-year presence condition** for definitive vesting of performance-based shares
- ✓ Requiring the CEO/Chairman to **conserve 25% of the company's shares** until the end of his office
- ✓ Retaining an **independent remuneration consultant**

