

4.3.2 d) Fringe benefits, stock options, performance shares, attendance fees

In line with the Group's compensation policy ⁽¹⁾, Mr. Senard did not receive any attendance fees in 2016 from any Group companies, or any benefits other than those listed above. No stock options or performance shares were granted to him during the year by the Company or any controlled entities.

Mr. Senard has a fringe benefit in the form of a Company car (see table 4.3.1 b).

4.3.2 e) Pension benefits

The pension plan's structure and rules are described in section 10.2.1.1 d) of this document. The description complies with the provisions of the Macron Act of August 6, 2015 and the enabling legislation dated February 23, 2016.

The plan rules are unchanged from 2015.

- ▶ Mr. Senard's reference compensation for 2016 was made up solely of the fixed compensation paid by MFPM and amounted to €1,100,000.

Based on the assumptions set out in the above-mentioned enabling legislation of February 23, 2016, his estimated annual pension under the plan will amount to €132,000. The pension benefits will be taxed at the rate of 32%.

As the reference compensation represented less than half of the aggregate amount received by Mr. Senard for 2015 (fixed compensation and variable Profit Shares), the actual gross replacement rate represented by pension benefits paid under the plan would be well below the 45% ceiling recommended in the AFEP/MEDEF Code.

4.3.2 f) Compensation for loss of office

No compensation for loss of office was paid in 2016.

4.3.2 g) Non-compete clause

No non-compete indemnity was paid in 2016.

4.3.3 ADVISORY VOTE ON THE COMPONENTS OF THE COMPENSATION DUE OR AWARDED TO JEAN-DOMINIQUE SENARD, CHIEF EXECUTIVE OFFICER, IN RESPECT OF 2016 AND SUBMITTED TO SHAREHOLDERS AT THE MAY 19, 2017 ANNUAL MEETING ⁽²⁾

Michelin decided to apply the recommendations of the AFEP/MEDEF Code concerning an advisory "say-on-pay" shareholder vote on the individual compensation awarded to executive officers as soon as they were published.

In line with the recommendation of the Compensation and Appointments Committee, the Supervisory Board has issued a favorable opinion on the total compensation due or awarded to Mr. Senard in respect of 2016 and recommends that the shareholders cast a favorable advisory vote thereon.

The components of Mr. Senard's compensation will therefore be presented to shareholders at the Annual Meeting on May 19, 2017 (6th resolution).

All of the amounts indicated are based on the standard tables provided in the AFEP/MEDEF Code, which are set out in sections 4.3.1 and 4.3.2 of the 2016 Registration Document.

⁽¹⁾ See section 10.2.1.1.

⁽²⁾ Presented in accordance with paragraph 26 of the AFEP/MEDEF Code (November 2016 version) and its implementation guidance (dated December 2016), available on their respective websites www.afep.com and www.medef.com.

Compensation due or awarded for 2016	Amounts (or accounting value) submitted for shareholder approval (in €)	Presentation
Fixed compensation	1,100,000	<p>Unchanged from the previous year.</p> <p>This corresponds to the gross annual fixed compensation due by Manufacture Française des Pneumatiques Michelin (MFPM), a controlled entity, as consideration for the duties performed by Mr. Senard in his capacity as Non-General Managing Partner of that company. Its amount was set by MFPM's General Partner in 2014 and has not been changed since then. For more information, see sections 4.3.2 a) Fixed compensation and 10.2.1.1 Compensation policy of the 2016 Registration Document (pages 112 and 310 respectively).</p>
Annual variable compensation	1,700,597	<p>Details of the Annual Variable Components of Mr. Senard's compensation were announced by the Supervisory Board in a press release posted on the Company's website on May 27, 2016.</p> <p>Shared features</p> <p>The basis used to calculate the Annual Variable Components (the Consolidated Calculation Base) corresponds to 0.6% of the Group's consolidated net income, The Annual Variable Components of Mr. Senard's compensation are paid out of the share of profit (Profit Shares) allocated to the two General Partners of CGEM – Jean-Dominique Senard and SAGES – that is now split between them on a mutually agreed basis.</p> <p>The consolidated net income to be presented at the Annual Shareholders Meeting on May 19, 2017, amounts to €1,667,552 thousands. The Compensation and Appointments Committee has therefore noted that the Consolidated Calculation Base for 2016 is €10,003,512.44.</p> <p>Given the mutually agreed division of the Profit Share between the General Partners, and the performance achieved in 2016 with respect to the conditions governing the Annual Variable Components, as described below, the total amount payable to Mr. Senard represents €1,700,597 (before applicable withholding tax), as follows:</p> <p>Single-Criterion Annual Variable Component</p> <p>This component is equal to 8% of the Consolidated Calculation Base. The Compensation and Appointments Committee noted that the Single-Criterion Annual Variable Component amounts to €800,281 for 2016.</p> <p>Multi-Criteria Annual Variable Component</p> <p>This component corresponds to between 0% and 14% of the Consolidated Calculation Base, depending on achievement rates for seven criteria.</p> <p>The Compensation and Appointments Committee carefully reviewed each of the quantitative and qualitative criteria applicable to this component ⁽¹⁾.</p> <p>Based on this review, the Committee concluded that the overall achievement rate for the three quantitative criteria (which are the same as those applied to determine the 2016 variable compensation of the Executive Committee members and Group managers) was 50.71/150^{ths}, compared to a maximum rate of 100/150^{ths}.</p> <p>Concerning the two qualitative criteria, the Committee concluded that:</p> <ul style="list-style-type: none"> ▶ Concerning the Chief Executive Officer succession plan, having observed that Mr. Senard had examined this issue in detail with continuous input from the members of the Compensation and Appointments Committee, the Committee rated his performance in relation to the objective as very good. ▶ Concerning deployment of the Group's four progress initiatives (Customer Service, Simplification of Operating Procedures, Empowerment, Digitalization), the indicators defined by the Committee showed that significant progress had been achieved. <p>The Compensation and Appointments Committee therefore considered that the overall achievement rate for the qualitative criteria was 48/150^{ths} compared with a maximum rate of 50/150^{ths}.</p> <p>In conclusion of its analysis concerning the Multi-Criteria Annual Variable Component, the Committee recommended to the Supervisory Board that cumulative actual performance in relation to these quantitative and qualitative criteria should be rated as a rounded up result of 100 out of 150. Based on the Consolidated Calculation Base of €10,003,512.44, the application of this cumulative achievement rate to the assessment grid defined by the Supervisory Board results in a Multi-Criteria Annual Variable Component of €900,316 for 2016. For more information, see sections 4.3.2 b) Variable compensation and 10.2.1.1 Compensation policy of the 2016 Registration Document (pages 113 and 311 respectively).</p>

(1) For reasons of confidentiality and business secrecy, and in particular to avoid (i) disclosing information about the Company's strategy that could be used by competitors for their advantage and (ii) creating confusion in shareholders' minds with the information disclosed by the Company to investors, the Supervisory Board has elected not to disclose details of these performance targets.

Compensation due or awarded for 2016	Amounts (or accounting value) submitted for shareholder approval (in €)	Presentation
Cash-settled deferred variable compensation awarded in 2016	No cash-settled deferred variable compensation was due for 2016	<p>This long-term incentive bonus was announced by the Supervisory Board in a press release posted on the Company's website on May 27, 2016.</p> <p>The long-term incentive bonus is calculated on a base amount of €1,800,000, as increased or reduced to reflect the percentage gain or loss in Michelin's share price over three years (2015-2017 period).</p> <p>The amount obtained by applying the adjustment clause will be modulated by the application of the following three criteria set by the Supervisory Board and applicable over the above three-year period:</p> <ul style="list-style-type: none"> ▶ Share performance ▶ Environmental and corporate social responsibility performance: employee engagement and environmental performance of manufacturing operations (as measured by the MEF) ▶ Growth in operating income ⁽¹⁾ <p>These criteria are the same as the ones applicable to the 2016 performance share plan for Group employees, which is not open to Mr. Senard. They concern implementation of the Group's long-term strategy as expressed in the Ambitions for 2020.</p> <p>The achievement rate under this long-term incentive plan will be equal to 100% only if the targets for all three criteria are met in full.</p> <p>The long-term incentive bonus is not due by Michelin but would be deducted from the General Partners' allocated Profit Shares.</p> <p>The final amount receivable under the long-term incentive plan will be:</p> <ul style="list-style-type: none"> ▶ Capped at 150% of the average of the Annual Variable Components paid to Mr. Senard for 2016, 2017 and 2018. ▶ Paid out of the Profit Shares allocated to the General Partners in respect of 2018 and payable in 2019 after the 2018 financial statements have been approved: <ul style="list-style-type: none"> – Subject to the availability of Profit Shares payable in 2019 out of 2018 profit; and – Up to the amount of said available Profit Shares after deducting the Single-Criterion and Multi-Criteria Annual Variable Components due for 2018. <p>The Supervisory Board noted that no amount was due in respect of 2016 because this is a long-term incentive plan.</p> <p>In the same way as for the long-term incentive bonuses awarded in 2014 and 2015:</p> <ul style="list-style-type: none"> ▶ If the Chief Executive Officer were to cease to be a General Partner (for reasons other than death or disability) before the end of the performance assessment period, notably due to his resignation or removal from office, he would forfeit his rights to the long-term incentive bonus. ▶ Mr. Senard will be required to invest 20% of the long-term incentive bonus in Michelin shares at the end of the three-year period and to retain these shares for as long as he remains in office, after which the shares may be sold on a phased basis over four years. <p>For more information, see sections 4.3.2 b) Variable compensation and 4.3.2 c) Cash-settled long-term incentive bonus (Table 1.3) and 10.2.1.1 Compensation policy of the 2016 Registration Document (pages 113 and 310 respectively).</p>
Cash-settled deferred incentive bonus awarded in 2014 and due in 2017 in respect of 2016	495,116	<p>This long-term incentive bonus was presented at the Annual Shareholders Meeting of May 22, 2015 and was approved by a majority of 95.72% of the votes cast (6th resolution).</p> <p>2016 was the last calculation year for this bonus and the Compensation and Appointments Committee therefore noted the achievement rates for each of the performance criteria, as follows:</p> <ul style="list-style-type: none"> ▶ Growth in the Michelin share price compared with that of the CAC 40 index: 22% achievement rate. ▶ Average annual growth in Group net sales: 0% achievement rate. ▶ Average annual return on capital employed (ROCE): 0% achievement rate. <p>Based on the Calculation Base increased by 25.20%, the Supervisory Board noted that the gross amount due for the long-term incentive bonus is €495,115 (before applicable withholding tax). For more information, see Table 1.1 in section 4.3.2 c) of the 2016 Registration Document (page 114).</p> <p>Mr. Senard is committed to investing 20% of the incentive bonus in Michelin shares which he will continue to hold for as long as he remains in office, with any subsequent sales to be carried out on a phased basis over four years.</p>
Stock options, performance shares and other long-term compensation	N/A	No stock options granted No performance shares awarded No other share-based payments
Exceptional compensation	N/A	No exceptional compensation
Attendance fees	N/A	Mr. Senard does not receive any attendance fees
Value of fringe benefits	8,076	Company car

(1) Consolidated operating income based on a comparable consolidation scope and at constant exchange rates and accounting methods, excluding non-recurring items, as adjusted if necessary for the effects of any exceptional events.

Components of compensation due or awarded for 2016 which have been submitted for shareholder approval in accordance with the procedures applicable to related-party agreements and commitments ⁽¹⁾

Components of compensation due or awarded for 2016 which have been submitted for shareholder approval in accordance with the procedures applicable to related-party agreements and commitments ⁽¹⁾	Amounts submitted for shareholder approval (in €)	Presentation
Compensation for loss of office	No compensation for loss of office was due for 2016	<p>The detailed information in this section is unchanged from 2015.</p> <p>In accordance with Article 13-2 of the bylaws, as approved by an extraordinary resolution of the May 13, 2011 Annual Shareholders Meeting, if Mr. Senard were to be removed from office before the end of his term as a result of a change of strategy or a change of control of the Company, provided such removal was not due to gross misconduct, he would be entitled to compensation for loss of office to be decided by the Non-Managing General Partner and subject to the prior approval of the Supervisory Board. The amount of any such compensation would not exceed the equivalent of Mr. Senard's total compensation for the two years preceding the year of his removal from office.</p> <p>It would be subject to the performance conditions decided by the Supervisory Board in 2014. The final compensation would be reduced, if applicable, so that any other severance payments due to Mr. Senard would not result in his receiving an aggregate severance package in excess of two years' compensation, as recommended in the AFEP/MEDEF Code.</p> <p>For more information, see sections 4.3.2 f) Compensation for loss of office and 10.2.1.1 Compensation policy of the 2016 Registration Document (pages 118 and 310 respectively).</p>
Non-compete indemnity	No indemnity was due under a non-compete clause in 2016	<p>The detailed information in this section is unchanged from 2015.</p> <p>In the same way as Michelin employees who have specific expertise that needs to be protected to prevent its use by a competitor in a manner that is detrimental to the Company's interests, Mr. Senard is subject to a non-compete clause.</p> <p>The Company is, however, entitled to waive the application of this clause.</p> <p>If the Company were to decide to apply this non-compete clause, over a period of up to two years it would have to pay to Mr. Senard the equivalent of up to 16 months' compensation based on the most recent aggregate compensation paid to him by Group companies.</p> <p>The non-compete indemnity would be reduced or canceled, if necessary, so that Mr. Senard's total severance package did not exceed the equivalent of the aggregate of his last two years' compensation, as recommended in the AFEP/MEDEF Code.</p> <p>For more information, see sections 4.3.2 g) Non-compete indemnity and 10.2.1.1 Compensation policy of the 2016 Registration Document (pages 118 and 310 respectively).</p>
Supplementary pension benefits	No supplementary pension benefits were due for 2016	<p>The pension plan structure and rules are unchanged from 2015.</p> <p>This description complies with the provisions of the Macron Act of August 6, 2015 and the enabling legislation dated February 23, 2016.</p> <p>Mr. Senard is not a member of any pension plan set up specifically for executive officers. In his capacity as Non-General Managing Partner of MFPM, Mr. Senard participates in the supplementary pension plan set up for MFPM senior executives (the Michelin Executive Supplementary Pension Plan).</p> <p>This plan, which is governed by Article L. 137-11 of the French Social Security Code and Article 39 of the French General Tax Code and is not restricted to Non-General Managing Partners (executive officers), has the following main features:</p> <ul style="list-style-type: none"> ▶ Participants must have served for at least five years as a senior executive. ▶ 1.5% of benefits vest each year, entitling participants to an annuity representing a replacement rate of up to 15% of the reference compensation (annual average of the best three years of compensation out of the last five years preceding the beneficiary's retirement). ▶ The replacement rate including benefit entitlements under compulsory plans is capped at 35%. ▶ An evaluation is carried out in accordance with Group accounting policies. ▶ Benefit entitlement is conditional on participants ending their career at MFPM as an executive employee or executive officer, in accordance with Article L. 137-11 of the French Social Security Code. ▶ 70% of the prior year's benefit obligation funded through a contribution to an insured plan. <p>Mr. Senard's reference compensation is made up solely of the fixed compensation paid by MFPM and amounts to €1,100,000 for 2016.</p> <p>Based on the assumptions set out in the Macron Act enabling legislation dated February 23, 2016, the estimated amount of annual income he will receive under this plan is €132,000. The pension benefits will be taxed at the rate of 32%.</p> <p>As the reference compensation represents less than half of the aggregate amount received by Mr. Senard for 2016 (fixed compensation and variable Profit Shares), the actual gross replacement rate represented by benefits paid under the plan would be well below the 45% ceiling recommended in the AFEP/MEDEF Code.</p>

(1) Unlike for joint stock companies (sociétés anonymes, or S.A.s) the provisions concerning "related-party commitments" set out in Article L. 225-42-1 of the French Commercial Code do not apply to commitments given by a partnership limited by shares (société en commandite par actions, or S.C.A.) to its Managing Partners (Article L. 226-10 of said Code states that Articles L. 225-38 to L. 225-43 thereof apply to partnerships limited by shares with respect to related-party agreements but does not mention related-party commitments).
The fact that the specific system applicable to S.A.s concerning related-party commitments does not apply to S.C.A.s is corroborated by Article L. 226-10-1 of the Commercial Code, which states that the Chairman of the Supervisory Board is required to prepare a report reviewed by the Statutory Auditors whose content explicitly excludes information related to the "principles and rules concerning the compensation and benefits granted to executive officers", whereas this information is compulsory for S.A.s pursuant to Articles L. 225-37 and L. 225-68 of the Commercial Code. This difference in the applicable legal regimes does not have any effect on (i) the rules concerning public disclosures of the amounts and underlying principles relating to the compensation of the Company's executive officers and (ii) the application, adapted to the context, of the AFEP/MEDEF Code's recommendations.