

The Board of Directors considered that such an increase was justified in light of various factors:

- a positioning in relation to the market (before the increase) that is below the median compensation resulting from a comparative study carried out by an independent firm and that is inconsistent with Group's size and performance and Mr Henri Poupert-Lafarge's experience and individual performance. The comparative study in question was conducted on the basis of a panel of large companies belonging to the CAC 40 and the SBF 120 of which size, in terms of market capitalisation and revenues, and/or business are comparable to the Group's (PSA, Renault, St Gobain, Veolia Environnement, Bolloré, Safran, Michelin, Valeo, Eiffage, Thales, Faurecia, Technip FMC, Solvay, STMicroelectronics, Arkema, Groupe SEB, Dassault Aviation, Legrand, Bureau Veritas and Imerys) and was completed by a study on comparably sized German companies with comparable activities with a view to take into account the new footprint of the Group especially in Germany (Continental, RWE, EON, Siemens Energy, Knorr-Bremse, HeidelbergCement, MTU AeroEngines, KION Group, Rational and Man SE);
- the material change in the Group's size (from revenue, headcount and market capitalisation points of view) following the acquisition of Bombardier Transportation and the expansion of the Chairman & Chief Executive Officer's scope of responsibilities;
- the desire for this compensation to sit within a framework of long-term stability and to not make future adjustments over the next two years, at least.

The Chairman & Chief Executive Officer's gross annual fixed income is currently €850,000 and has been since the 10 July 2019 Shareholders' Meeting.

- Commencing with the 2021/22 fiscal year, the annual long-term incentive plans, which had up to then been granted during the last Board of Directors' meeting of the fiscal year in progress, will be granted by a Board of Directors' meeting held at the beginning of the following fiscal year. This change in the grant date, initially introduced in order to align with the new objectives of the Group (as announced during July 2021 investors' day) will be maintained for the following fiscal years, as it will especially allow more coherence with the schedule of assessment of the performance of the managers of the Group. This change has no impact on the date of assessment, by the Board of Directors, of the achievement of the performance conditions of the plans which will continue to take place after the end of the third fiscal year following the grant date.

Other than these modifications described above, the structure of the compensation policy applicable to the Chairman & Chief Executive Officer remains identical to the structure approved by the shareholders by more than 95% at the General Meeting held on 8 July 2020 (9th resolution).

Regarding the compensation policy applicable to members of the Board of Directors for the 2021/22 fiscal year, that policy includes all the rules that applied to them in the 2020/21 fiscal year as approved by the General Meeting held on 8 July 2020 by over 97% (10th resolution), with the exception of a drafting change aimed at making it possible for the newly created Integration Committee to receive compensation. Indeed, the current drafting, which specifically refers to the Audit Committee, the Nominations and Remuneration Committee, and the Ethics & Compliance Committee, does not allow for compensation for other Committees that may be created by the Board of Directors. Therefore, the reference to named Committees is deleted from the current policy as appropriate.

If a new corporate officer is nominated, the compensation policy applicable to him/her (the one that applies to the Chairman & Chief Executive Officer or the one that applies to the members of the Board of Directors), and as described hereafter, will apply.

Compensation policy applicable to members of the Board of Directors

1. General principles and criteria for distributing the amount allocated to members of the Board of Directors by the General Meeting

In accordance with the resolution approved by the shareholders at the Combined General Meeting held on 1 July 2014, the annual budget for compensating members of the Board of Directors was set at €1,300,000.

The principles governing the compensation of members of the Board of Directors are described in the Board's internal rules.

Thus, a fixed portion and a variable portion are allocated, with the variable proportion being proportional to Board members' attendance at Board and Committee meetings. The Chairs of the Committees and the Lead Independent Director benefit from an additional amount. Half of the fixed and variable portions of compensation are paid during the current fiscal year and the other half in the subsequent fiscal year.

The distribution rules, which were set by the Board, provide that, as from the 2019/20 fiscal year, a fixed portion of €30,000 (previously €27,500) is allocated to each member of the Board of Directors, as increased by an additional amount of €20,000 (€15,000 previously) for the Chair of the Audit Committee and of €15,000 (€10,000 previously) for the Chairs of the other Board Committees. The variable portion is allocated in the amount of €4,000 (€3,500 previously) for each Board meeting attended and €3,500 (€3,000 previously) for each Committee meeting attended. In addition, the annual amount allocated to the Lead Independent Director was set at €30,000 (€27,500 previously) by the Board.

On the Nominations and Remuneration Committee recommendation, at the 12 March 2019 Board meeting, the Board decided on these revaluations in order to bring the Company's practice in line with that of its peers. Indeed, the amounts tied to directorships and Committee meeting attendance had not changed since 1 October 2012, and the amount relating to the Lead Independent Director had not changed since 6 May 2014.

The Board of Directors meeting held on 10 May 2021 decided that these distribution rules also apply to the newly created Integration Committee (subject to the 2021 General Meeting's approval of the modified compensation policy applicable to members of the Board of Directors).

This compensation policy applies to all members of the Board of Directors (including those representing the employees) other than the Chairman & Chief Executive Officer, who does not receive any compensation with respect to the Board of Directors. In the case when a Censor is designated to attend Board of Directors' meetings, he/she does not receive any compensation.