

Compensation of corporate officers

Published pursuant to the recommendations of the AFEP-MEDEF French Corporate Governance Code and Article L.225-42-1 of the French Commercial Code

In addition to the decisions taken by the Board of Directors on June 23, 2016 concerning the new governance structure and the split of the roles of Chairman and Chief Executive Officer, the Board of Directors at a board meeting on July 1st, 2016 decided the following.

1. Chairman of Board of Directors - Mr Ian Meakins

The Board of Directors decided to co-opt Mr Ian Meakins as an independent director in replacement of Mr Rudy Provoost. Mr Ian Meakins rejoined the Board of Directors on July 1st 2016 and will become its non-executive Chairman as from October 1st, 2016 (note that Mr François Henrot, currently Deputy-Chairman and Senior Independent Director of the Board of Directors, has been appointed Chairman of the Board on an interim basis from July 1st 2016 until September 30 2016¹).

In accordance with Article L.225-47 paragraph 1 of the Code of Commerce, the Board of Directors decided to allot to Mr Ian Meakins an annual gross fixed compensation of €500,000 (prorata temporis for 2016) in respect of his duties as Chairman of the Board of Directors.

2. Supplementary defined-benefit pension plan approved for the new Chief Executive Officer, Mr Patrick Berard

It is recalled that the 2016 compensation of Mr Patrick Berard's (fixed and variable parts), as Chief Executive Officer as from July 1st 2016, as well as the various benefits associated with his term of office, were made public in a company communication dated June 28 2016.

It is also recalled that Mr Patrick Berard has an employment contract with the company REXEL DEVELOPPEMENT SAS. Mr Patrick Berard's employment contract has been suspended for the duration of his term of office.

2.1 Supplementary defined-benefit pension plan

As an employee, Mr Patrick Berard qualified for a supplementary defined-benefit pension plan. Considering Mr Patrick Berard's seniority and career, the Board of Directors decided on July 1st 2016 to maintain Mr Patrick Berard's supplementary defined-benefit pension plan during his term of office.

However, in accordance with Article L. 225-42-1 of the Code of Commerce, the conditional benefits which Mr Berard could acquire in his position as Chief Executive Officer within the framework of this plan will be granted only if the annual performance conditions described below are met.

Thus, it is only in the case where the annual performance conditions are achieved that:

- the period during which Mr Patrick Berard acts as Chief Executive Officer will be taken into account for the calculation of the seniority and that;
- the compensation received in terms of the duties of corporate officer can be taken into consideration for the calculation of the average of the three best years of compensation².

¹ See the communication dated June 28 2016 regarding the compensation of corporate officers.

² The supplementary defined-benefit pension plan (article 39) is described in detail in the 2015 registration document (section 3.2.4). This scheme is closed for 2016 for managers who have recently joined the group.

The performance criteria set by the Board of Directors were aligned with those of the annual variable compensation for the Chief Executive Officer (financial and individual parts). The performance conditions will be deemed achieved if payment of the annual variable compensation reaches a level of at least 60% of the variable target compensation³.

The annual variable compensation for Mr Patrick Berard in respect of his term of office consists of 75% of financial criteria and 25% individual criteria and the financial criteria set for 2016 are the following:

Criteria	Weight	Minimum	Target	Maximum
Adjusted EBITA in volume	45%	50% payout if result reaches 85% of the target	100% payout if result reaches 100% of the target	150% payout if result reaches 115% of the target
ATWC	35%	25% payout if result reaches 95% of the target	100% payout if result reaches 100% of the target	150% payout if result reaches 105% of the target
Sales growth in volume	20%	50% payout if result reaches 90% of the target	100% payout if result reaches 100% of the target	150% payout if result reaches 150% of the target
	100%	Linear calculation between points		

By way of reminder the supplementary defined-benefit pension plan conforms to all the recommendations of the AFEP-MEDEF French Corporate Governance Code.

This scheme, complying with the characteristics of schemes referred to in Article L. 137-11 of the Social Security Code is governed by the procedure for regulated agreements, and will be submitted for approval in the next general meeting.

2.2. Severance indemnity

The Board of Directors has decided not to allocate to Mr Patrick Berard the benefit of severance indemnity or non-compete indemnity on termination of his duties as Chief Executive Officer.

Mr Patrick Berard's employment contract, suspended during his term of office, allows for payment of such indemnities under certain conditions with an overall limit of 18 months of the monthly reference compensation. It is specified that in the event that Mr Patrick Berard's contract is reactivated, any such indemnity will be calculated without taking into account this term of office (without taking into consideration either the period of service or compensation received as corporate officer).

³ These conditions only apply to the additional conditional benefits which Mr Patrick Berard could receive in respect of his term of office.