

# Regulated agreement and components of the compensation of Mr. Emmanuel Babeau

Pursuant to articles L.225-40-2 and R. 225-30-1 of the French Commercial Code and § 26.1 of the Afep-Medef Code

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Paris, March 2, 2020

Following the departure of Mr. Emmanuel Babeau, Deputy CEO of the company, with effect from April 30, 2020, the board of directors, during its meeting of February 28, 2020, based on the works and recommendations of the Governance and remunerations committee, has authorized the conclusion of an agreement between the company and Mr. Babeau relating to the conditions of his departure (the “**Agreement**”) and decided to grant him the compensation components listed hereinafter, subject to their approval by the general meeting to be held on April 23, 2020 under:

- the regulated agreements’ procedure; and
- a specific resolution relating to the approval of (y) the compensation policy applicable in 2020 to Mr. Babeau as part of his departure, and (z) the components of the compensation paid during, or awarded in respect of, the 2020 financial year to Mr. Babeau.

## ▪ **Base salary for the 2020 financial year**

The amount of the annual base salary of the Deputy CEO would remain unchanged for 2020: 680,000 euros. The base salary paid to Mr. Babeau would be calculated on a *prorata temporis* basis, until the termination date of his term of office as Deputy CEO.

He would therefore receive 226,667 euros until April 30, 2020 as base salary.

## ▪ **Annual incentive for the 2020 financial year**

The target level set forth for the 2020 financial year, and not the maximum, would be deemed reached for the Deputy CEO Mr. Babeau who would be granted an annual incentive of 680,000 euros, calculated on a *prorata temporis* basis until the termination date of his term of office as Deputy CEO.

The portion of the annual incentive due to Mr. Babeau for the 2020 financial year would thus be 226,667 euros.

## ▪ **Complementary cash payment for pension building**

Mr. Babeau would receive, as complementary cash payment for pension building for 2020, the following amounts, calculated on a *prorata temporis* basis until the termination date of his term of office as Deputy CEO:

- fixed portion: 51,100 euros (based on an annual amount of 153,300 euros); and
- variable portion (at target level): 51,100 euros (based on an annual amount of 153,300 euros for a variable portion equal to 100% of the fixed portion for a target level deemed reached for the 2020 financial year).

## ▪ **Application of a new non-compete agreement and other restrictive covenants**

Mr. Babeau is bound by a non-compete agreement in case of departure, pursuant to the board of directors’ decisions of June 18 and 19 2013 (as amended on October 24, 2013 and February 18, 2015,

then reiterated and amended once again on April 25, 2017 and February 14, 2018), as approved by the general meeting of April 24, 2018 under the regulated agreements' procedure.

This one-year agreement called for compensation to be paid at 60% of annual fixed and target variable parts (including complementary cash payment for pension building), *i.e.*, a total amount of 999,960 euros.

Given the recent changes of the group's scope of business and the specific responsibilities assumed by Mr. Babeau in this context, this non-compete agreement would be amended in order to further protect the company and group's interests after the departure of the Deputy CEO.

Mr. Babeau, who worked within the group for more than ten years, including seven years in the capacity of Deputy CEO, has in-depth knowledge of the group's operations and development. As Vice Chairman and non-executive director of Aveva Group Plc. since 2018, he has also developed cross-disciplinary, strategic and operational skills in the engineering and industrial software sector, a sector which is seen as crucial for the current and future development of the group.

Consequently, this agreement would be replaced by a two-year non-compete agreement, the scope of which would be extended to include:

- positions as employee, executive and non-executive officer (and in particular any participation in a governance body) within companies already covered by the initial non-compete agreement and companies in the engineering and industrial software sector; and
- any activity providing services or consultancy for the benefit of the above-mentioned companies (the "**Non-Compete Agreement**").

Mr. Babeau, whose contribution to the group's good performance has been acknowledged by the board of directors, would waive the non-compete cash compensation equal to 60% of his annual target compensation (including complementary payments) that he would be entitled to receive pursuant to the non-compete agreement approved by the general meeting of April 24<sup>th</sup>, 2018.

This Non-Compete Agreement would be supplemented by the following restrictive covenants resulting from the departure: (i) non-solicitation, (ii) non-disparagement, (iii) confidentiality and (iv) cooperation in the context of legal or administrative proceedings involving the company, binding Mr. Babeau for a period of two years (together with the Non-Compete Agreement, the "**Covenants**").

Subject to compliance with the Covenants, Mr. Babeau would be entitled to retain the unvested performance shares granted to him in 2018 and 2019, in proportion to the time of his presence over the vesting period of the performance share plans concerned, under the conditions set out below.

▪ **Long-term incentive (performance share plans)**

The continuous presence condition provided for in the performance share plans would be waived and Mr. Babeau would be entitled to retain the 52.000 unvested performance shares, which were granted to him in 2018 and 2019, in proportion to the time of his presence over the vesting period of the performance share plans concerned, *i.e.*, a maximum of 27,445 performance shares, under the following conditions:

- 18,056 performance shares granted in 2018 would be deemed vested on March 26, 2021, subject to the Deputy CEO's compliance with the Covenants until that date; and
- 9,389 performance shares granted in 2019 would be deemed vested on March 28, 2022, subject to the Deputy CEO's compliance with the Covenants until that date.

The other conditions provided for in the performance share plans, and in particular the performance conditions, would remain applicable.

The final number of performance shares that could be acquired by Mr. Babeau will be known at the end of the respective vesting periods, subject to continuous compliance with the Covenants and setting by the board of directors of the achievement rate of the applicable performance conditions.

As of the termination date of Mr. Babeau's term of office as Deputy CEO, it is specified that all the performance shares that could be acquired by Mr. Babeau would represent, for a value of 54.688 euros per performance share granted in 2018 and 53.839 euros per performance share granted in 2019 calculated in consistency with the company's prior practices for the valuation of the performance shares and in accordance with the recommendations of the Afep-Medef Code, a total amount of 1,492,940.90 euros (987,446.53 euros with respect to the performance shares granted in 2018 and 505,494.37 euros with respect to the performance shares granted in 2019), *i.e.*, an amount lower than two years of Mr. Babeau's annual (fixed and variable) compensation.

▪ **Tax and legal support**

Mr. Babeau would benefit from legal and tax support until the completion of the study relating to the consequences of his expatriation to the United-Kingdom from July 2014 to July 2018 for the purposes of the integration of Invensys Ltd., currently carried out by the service provider, and, in any event, until December 31, 2020 at the latest. The maximum cost of this support is estimated at 15,000 euros.

Should the general meeting not approve the resolutions related to (i) the regulated agreement concerning the Deputy CEO's departure or (ii) the components of the compensation of Mr. Babeau, (x) the Agreement signed on February 28, 2020 would become null and void (*caduc*), (y) the non-compete agreement as approved by the general meeting of April 24<sup>th</sup> 2018 would apply and (z) Mr. Babeau would be entitled to the components of compensation previously authorized by the board of directors and approved by the general meeting of April 25 2019, *i.e.*,:

- his base salary until the termination date of his term of office as Deputy CEO, *i.e.*, 56,667 euros per month;
- his annual incentive for the 2020 financial year, calculated *pro rata temporis* until his departure and paid in 2021 subject to (i) the fulfilment of the performance conditions as acknowledged at the beginning of 2021 by the board of directors and (ii) the approval by the 2021 general meeting of the components of the total compensation and benefits of all types paid during, or awarded in respect of, the 2020 financial year to Mr. Babeau; and
- the complementary cash payment for pension building (cash benefit) composed of one fixed portion and one variable portion, calculated on a *pro rata temporis* basis until the termination date of his term of office as Deputy CEO, provided that the payment of the variable portion will be subject to (i) the satisfaction of the performance conditions as set by the board of directors at the beginning of 2021 and (ii) the approval by the 2021 general meeting of the components of the total compensation and benefits of all types paid during, or awarded in respect of, the 2020 financial year to Mr. Babeau; and
- a monthly indemnity equal to 60% of the average of his gross monthly remuneration over the last 12 months of presence (fixed and target variable, including complementary payments for pension building) for a period of one year, *i.e.*, a total amount of 999,960 euros.

Mr. Babeau would however lose the benefit of the performance shares granted to him in 2018 and 2019.

It is specified that, in any case:

- Mr. Babeau will not receive any Involuntary Severance Pay insofar as his departure does not constitute a case of forced departure; and
- the compensation components abovementioned that may be paid by the company to Mr. Babeau in connection with his departure would constitute the entirety of the compensation granted to him in connection with the termination of all his assignments within the company and any other company of the group, in any respect whatsoever.

The board of directors noted that the proposed Agreement was in the best interest of the Group as it strengthened the post-mandate guarantees offered by a corporate officer in position for more than ten years and whose scope of expertise extended to technology and engineering companies. The board of directors also observed that the right to retain the performance shares on a *pro rata temporis* basis was proportionate in value to the Covenants agreed by Mr. Babeau and that its term was matching the term of this Covenants.

In accordance with the provisions of Article R.225-30-1 of the French Commercial Code, it is specified that the compensation components granted or paid to Mr. Babeau in connection with the termination of his duties as Deputy CEO of the company would represent a maximum amount of 2,063,474.90 euros<sup>1</sup>, *i.e.*, 0.086% of the 2019 consolidated net profit (Group share)<sup>2</sup>.

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<sup>1</sup> (226,667+226,667+51,100+51,100+1,492,940.90+15,000)

<sup>2</sup> Or 3.62% of the 2019 net profit of Schneider Electric SE.