

applicable the Chairman and Chief Executive Officer as approved by the shareholders for the fiscal year in question.

2. Method for evaluating performance criteria

No later than the Board meeting at which the fiscal year's accounts are approved, on the recommendation of the Nominations and Remuneration Committee, the Board assesses the achievement level for the performance criteria to which the Chairman and Chief Executive Officer's annual variable compensation is subject. Most of these criteria – between 60% to 70% of them – relate to the Group's financial performance or are tied to the Group's social and environmental ambitions and are therefore, by their essence, quantifiable. The other objectives (between 30% and 40%) are individual in nature, all while maintaining a strictly quantifiable character since they are tied to the implementation of specific action plans.

At the 2020 Shareholders' Meeting, it is proposed to the shareholders that the Board of Directors benefit from a discretionary power when applying the compensation policy so as to ensure that the Chairman and Chief Executive Officer's actual annual variable compensation properly reflects the Group's performance. If the Board were to decide, on the Nominations and Remuneration Committee's proposal and in the context of exceptional circumstances, to use this discretionary power, it would continue to comply with the principles set out in the compensation policy and provide shareholders with a clear, specific and comprehensive explanation of its choice. This discretionary power would only apply to a limited portion of the annual variable compensation and could increase or decrease the amount of the bonus theoretically achieved -in accordance with the performance criteria – in respect of the fiscal year (*i.e.*, maximum magnitude of plus or minus 15%) and without ever exceeding the global cap provided for in the compensation policy.

On the recommendation of the Nominations and Remuneration Committee, at the meeting during which the financial statements for the fiscal year are approved the Board of Directors also officially notes the achievement level for the performance conditions that are tied to the Chairman and Chief Executive's long-term variable compensation (performance shares) whose performance period is expiring. These performance conditions are fully quantifiable.

3. Management of conflicts of interest

The Company complies with the AFEP-MEDEF Code's recommendations on the management of conflicts of interest. The Company's Director's Charter, as published in a schedule to the Board's internal rules, specifies the obligations of all Directors aimed at preventing any conflict of interest in the performance of their appointment. The Charter clearly defines the duties to consult and disclose imposed on each Director and executive corporate officer before engaging in any activity or accepting any position or mission that may place him/her in a conflict of interest situation (even potential). This Charter also requires all Directors to resign in the event of a conflict of interest that cannot be resolved to Board's satisfaction. In this same context, the Lead Independent Director is asked to take preventive steps to raise awareness among the other Directors regarding conflicts of interest and to examine with the Chairman of the Board any potential conflict of interest.

When setting the Chairman and Chief Executive Officer's compensation, the Chairman and Chief Executive Officer may not take part in the Board's deliberations or in the vote.

4. Amendment of the compensation policy and application to newly appointed corporate officers

The compensation policy for the Chairman and Chief Executive Officer presented to the 2020 Shareholders' Meeting contains the following amendment to the compensation policy approved by the shareholders at the 2019 Shareholders' Meeting: the Board of Directors would benefit from a discretionary power when applying the compensation policy so as to ensure that the Chairman and Chief Executive Officer's actual annual variable compensation properly reflects the Group's performance. If the Board were to decide, on the Nominations and Remuneration Committee's proposal and in the context of exceptional circumstances, to use this discretionary power, it would continue to comply with the principles set out in the compensation policy and provide shareholders with a clear, specific and comprehensive explanation for its choice. This discretionary power would only apply to a limited portion of the annual variable compensation and could increase or decrease the amount of the bonus theoretically achieved – in accordance with the performance criteria – in respect of the fiscal year (*i.e.*, maximum magnitude of plus or minus 15%) without ever exceeding the global cap provided for in the compensation policy. Such amendment is proposed to better align the compensation of the Chairman and Chief Executive Officer with the market's expectations.

Other than this modification, the structure of the compensation policy of the Chairman and Chief Executive Officer remains identical to the structure approved by more than 90% by the shareholders at the General Meeting held on 10 July 2019 (10th resolution).

The compensation policy applicable to Directors for the 2020/21 fiscal year includes all the rules applicable to them in the 2019/20 fiscal year.

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

Compensation Policy Applicable to Directors

1. General principles and criteria for distributing the amount allocated to 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 Directors was set at €1,300,000.

The principles governing the compensation 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 the Directors' attendance at Board and Committee meetings. The Chairs of the three 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 Director, 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 each of the Nominations and Remuneration Committee and the Ethics, Compliance and Sustainability Committee. 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.

This compensation policy applies to all Directors (including employee representative Directors) other than the Chairman and Chief Executive Officer, who does not receive any compensation with respect to the Board of Directors. In the case when an observer is designated to attend Board of Directors' meetings, he/she does not receive any compensation.

2. Compensation policy for the 2020/21 fiscal year

For the 2020/21 fiscal year, members of the Board of Directors (other than the Chairman and Chief Executive Officer) will receive:

- fixed annual compensation of €30,000;
- variable compensation of €4,000 per Board meeting the Director attended;
- variable compensation of €3,500 per Committee meeting the Director attended.

The fixed amounts are increased each year by €20,000 for the Chair of the Audit Committee and by €15,000 for each of the Chairs of the Nominations and Remuneration Committee and the Ethics, Compliance and Sustainability Committee.

The Lead Independent Director receives fixed compensation of €30,000 per year.

In addition, Directors are reimbursed for the expenses incurred in connection with their appointment, notably travel and accommodation expenses.

Compensation policy applicable to the Chairman and Chief Executive Officer

1. General principles

Mr Henri Poupart-Lafarge has been the Alstom Group's Chairman and Chief Executive Officer since 1 February 2016. His current mandate was renewed for a four-year term by the General Meeting held on 10 July 2019. Since such General Meeting, Mr Henri Poupart-Lafarge is no longer bound to the Company or to any other Group company by an employment agreement.

The compensation policy applicable to the Chairman and Chief Executive Officer applies to the current Chairman and Chief Executive Officer, Mr Henri Poupart-Lafarge, and to any new executive corporate officer that may be appointed. Dictated by the guiding principles described above, this policy seeks to support the Company's strategy and to align the Chairman and Chief Executive Officer's interests with those of the shareholders and with stakeholders' expectations. In particular, the policy includes the following points, which were approved by the Board of Directors on the recommendation of the Nominations and Remuneration Committee:

- greater weight given to variable elements, in a "pay-for-performance" approach where performance criteria are strictly aligned with the Group's strategic priorities (including societal and environmental priorities);

- a significant portion of compensation is based on the long term (minimum period of three years);
- compensation for overperformance (which is capped, however);
- no exceptional compensation.

In order to set the Chairman and Chief Executive Officer's overall compensation and the level of its various components, the Nominations and Remuneration Committee issues recommendations that are supported by market studies from independent specialised firms (which enables a comparison with similar functions within CAC 40 and Next 20 companies to be made), but that also take care to maintain coherence with the internal practices applicable to Alstom's other senior executives and managers.

The various components of the Chairman and Chief Executive Officer's total compensation are as follows:

Fixed compensation

Fixed compensation is intended to recognise the significance and wide scope of the Chairman and Chief Executive Officer's responsibilities and his experience. This fixed compensation is set for a minimum period of two years, except in the case of a significant change in the scope of the Chairman and Chief Executive Officer's responsibilities or a substantial change in macro-economic conditions.

Short-term variable compensation

Short-term variable compensation is intended to motivate the Chairman and Chief Executive Officer to achieve annual performance objectives set for him by the Board of Directors, consistent with the Group's objectives.

This compensation is entirely tied to the achievement of performance criteria defined by the Board on the recommendation of the Nominations and Remuneration Committee. Whenever possible, the criteria achievement level is measured on the basis of performance indicators adopted more generally within the Company. This last point ensures that the nature of the selected criteria is relevant and aligned with the Company's strategy. At least one of these criteria takes social or environmental considerations into account.

Short-term variable compensation represents 100% of annual fixed gross compensation when the targets are strictly achieved and is capped, in the event of overperformance, at 170% of gross annual fixed compensation. No floor has been set.

The results achieved, the achievement level for each criterion and the amount of the short-term variable portion are determined by the Board no later than at the meeting during which the accounts for the fiscal year are approved. On this occasion, subject to shareholders' approval at the 2020 Annual Shareholders' Meeting, the Board of Directors would benefit from a discretionary power when applying the compensation policy so as to ensure that the Chairman and Chief Executive Officer's actual annual variable compensation properly reflects the Group's performance. If the Board were to decide, on the Nominations and Remuneration Committee's proposal and in the context of exceptional circumstances, to use this discretionary power, it would continue to comply with the principles set out in the compensation policy and provide shareholders with a clear, specific and comprehensive explanation for its choice. This discretionary power would only apply to a limited portion of the annual variable compensation and could increase or decrease the amount of the bonus theoretically achieved – in accordance with the performance criteria – in respect of the fiscal year (*i.e.*, maximum magnitude of plus or minus 15%) and without ever exceeding the global cap provided for in the compensation policy. Thus, the Board of Directors could consider, on the recommendation of the Nominations and Remuneration Committee, that taking into consideration new