

*English translation for information purposes only*

**Alstom S.A.**

A French *société anonyme* (joint stock company) with a share capital of €1,555,473,297.00

Having its registered office at 48, rue Albert Dhalenne, 93400 Saint-Ouen, France

Registered with the Trade and Companies Register under no. 389 058 447 R.C.S. Bobigny  
(the “**Company**”, or “**Alstom**”)

**GENERAL SHAREHOLDERS’ MEETING TO BE HELD ON JULY 17, 2018**

**REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PROPOSED IN ACCORDANCE WITH ARTICLE L.225-37-2 OF THE FRENCH COMMERCIAL CODE**

The purpose of this report (the “**Report**”) is to present the draft resolutions submitted by your Board of Directors to your general shareholders’ meeting in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code. The draft resolutions that will be submitted to your general shareholders’ meeting are attached to this Report (Schedule).

The documents required by law and the by-laws have been sent and/or made available to you within the prescribed time.

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, you are asked to approve the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total remuneration and benefits of any kind that may be granted (i) to the Chief Executive Officer of the Company and (ii) to the Chairman of the Board of Directors from the Closing Date (as defined below).

It is specified that the payment of variable and exceptional compensation components will be subject to the approval by the ordinary general meeting of the compensation elements of the person concerned under the conditions set out in Article L. 225-100 of the French Commercial Code.

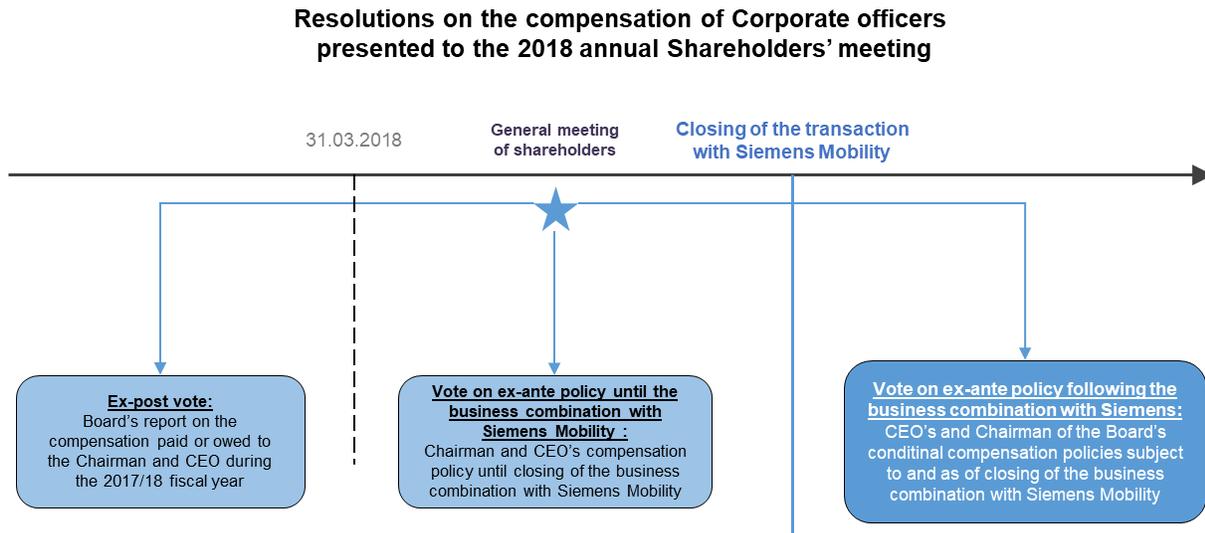
The principles and criteria for determining, allocating and allocating the compensation items on which approval of the meeting is sought are set out below.

**Corporate Officers’ compensation**

The resolutions presented in this Report aim at securing Alstom’s shareholders’ approval about the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and any benefits-in-kind payable to officers once the business combination between the rail business of Alstom and the mobility business of Siemens, including its rail traction (the “**Transaction**”), will be completed. The eleven members of the Board of directors will be the only officers and directors of the Company. The roles of Chairman of the Board of directors and Chief Executive Officer will be split. The Chairman and the Chief Executive Officer will be the only two officers of the new entity.

The information set forth below is part of the compensation policy of officers set in accordance with Article L. 225-37-2 of the French Commercial Code. This policy states the determination, allocation and award criteria of the fixed, variable and exceptional components of the total compensation and any benefits-in-kind allocable to the officers of Siemens Alstom (“**Siemens Alstom**” or the “**Company**”), applicable starting from the completion date of the business combination of Alstom with Siemens Mobility, if this transaction is carried out (the “**Closing Date**”), and until the approval of a new equivalent

resolution during a next General Shareholders' Meeting.



### **Principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and any benefits in kind payable to executive officers**

As of the Closing Date, the only executive officer of the Company will be its Chief Executive Officer.

#### Chief Executive Officer

General principles of the compensation policy

Alstom's Chief Executive Officer compensation is based on the following principles:

- **Balance:** the compensation of the Chief Executive Officer is set by the Board of directors upon the Nominations and Remuneration Committee's proposal and comprises an annual fixed part, an annual variable part paid in cash linked to the performance of the Company and an annual grant of performance shares, the delivery of which is entirely conditioned on the Group's performance over at least three years. The Board of directors thus ensures maintaining a balance among such three components and a preponderance of long-term and short-term variable elements directly linked to the officer's and the Group's performance. The Board of directors takes into account all the components of the Chief Executive Officer's compensation when determining the overall financial conditions pursuant to his mandate.
- **Consistency, strategy and performance :** the performance conditions of the performance shares, as well as the objectives attached to them, are defined in such a way that they are completely aligned with the company's strategy in the long term. The performance conditions of the annual variable compensation in cash are set so that they are fully aligned with the short-term goals of the company and the executive himself. In addition, the Board ensures that the level and structure of remuneration is consistent with that of all managers in the Company.
- **Transparency:** the Company publishes all the elements constituting the remuneration of the executive corporate officer. Insofar as they are not considered as confidential with regard to the Company's competitors (most of them themselves not listed and therefore not subject to the transparency obligations related to the Company's listing), the objectives to achieve and the

results achieved are precisely communicated.

- **Stability and stringency:** the remuneration policy is stable over time. Its principles and criteria are reviewed each year by the Nominations and Remuneration Committee and the Board of Directors, which rely in particular on analyses enabling them to identify market best practices. They are possibly modified only to reinforce the requirement or adapt them to the Company's strategy. The performance criteria used must correspond to the Company's objectives, and be demanding, explicit, and, to the greatest extent possible, long-lasting.

These analyses offer a comparison of the level and the structure of the compensation paid to corporate officer with that of a panel of other companies of a similar size and activity of the CAC 40 and SBF 120 (level and evolution of the compensation, respective ratio of each of the components of the compensation) and of international companies operating in similar sectors. This panel includes in particular companies such as Arkema, Faurecia, Dassault Systèmes, Legrand, Nexans and Thalès in France, and BAE Systems, Leonardo, Rolls Royce or ThyssenKrupp in Europe.

### Mandate's terms

The Chief Executive Officer exclusively performs his executive duties under his corporate mandate. He does not have any employment binding contract with the Company, its subsidiaries or any other shareholder company.

In this respect, Mr. Poupart-Lafarge is committed to resigning from the employment contract binding him with Alstom Executive Management SAS, effective starting from the Closing Date of the Transaction. He will not benefit from any indemnity or payment in this respect.

As of the Closing Date of the Transaction, it is proposed that the Chief Executive Officer's compensation consist of the following components.

### Fixed compensation

The Chief Executive Officer's fixed compensation is determined by the Board of directors, upon the proposal of the Nominations and Remuneration Committee, at the time of his appointment and for a period of several years, unless his scope of responsibility significantly evolves. It takes into consideration the level and difficulty of related responsibilities, experience in the position, prior seniority in the Siemens Alstom group (if any), results achieved and policy found in groups or companies of comparable size or activity.

As an illustration, the fixed annual remuneration of the Chief Executive Officer will amount to €900.000 as from the Closing Date of the Transaction and for several years. The level of responsibility, the size of the combined company and the level of difficulty of the mission entrusted to him justify this increase of 18% compared to the compensation level before the completion of the Transaction. The fixed compensation of the Chief Executive Officer had not been revalued since February 1, 2016.

The remuneration proposed by the Nominations and Remuneration Committee following the major change in the scope of the future business, post-implementation of the Transaction, was based on a detailed analysis conducted with the assistance of an external consultant, based on a large group of equivalent industrial companies in France and Europe (listed above) and positions the manager at a reasonable but competitive level vs. his peers.

## Variable compensation

The variable portion of the Chief Executive Officer's short-term variable compensation represents 100% of the fixed annual gross remuneration if the objectives are met. It is capped, in the event of overperformance, at 170% of his gross annual fixed compensation. No minimum compensation is set. All objectives are pre-established annually by the Board on the proposal of the Nominations and Remuneration Committee based on the strategic priorities defined for the Group and for the Chief Executive Officer.

This target gross annual variable compensation will be based:

- on objectives related to the overall performance of Siemens Alstom. The global objectives are set for several years and may be reviewed by the Board depending on the evolution of Company strategy. Related targets will be determined by the Board at the beginning of each year.
- on individual objectives related to the effective achievement of specific action plans that will be determined by the Board of Directors at the beginning of each year, depending on the strategic priorities set for Siemens Alstom's group

As an illustration, the considered starting split of these objectives is the following:

- overall performance objectives for 60% of the target variable remuneration (quantifiable). The percentage of the annual variable compensation tied to these overall performance objectives may range from 0% to 120% of your gross annual fixed compensation, according to the level of achievement of the said related objectives; and
- individual objectives linked to specific action plans for 40% of the target variable remuneration (quantitative and/or qualitative). The percentage of the annual variable compensation tied to these objectives may range from 0% to 50% of the gross annual fixed compensation, according to the level of achievement of said related objectives.

The vast majority of these conditions are quantifiable since they are based on the Group's overall performance and the achievement of individual objectives, most of them themselves quantifiable as they are linked to the implementation of specific action plans.

The rate of achievement of these objectives and the amount of the variable compensation are decided by the Board of directors on the recommendation of the Nominations and Remuneration Committee no later than at the meeting at which the financial statements for the period are approved.

In accordance with Article L. 225-37-2 of the French Commercial Code, payment of such variable compensation is conditional upon approval of a resolution at the Company's shareholders' meeting, under the terms set forth in Article L. 225-100 II. of the French Commercial Code.

Management teams of the Company benefit from a Short Term Incentive scheme based on the same structure.

## Performance share-based compensation

The main characteristics of the performance shares allocation policy applied to the Chief Executive Officer, which contributes to aligning his interests with those of the shareholders, are compliant with the recommendations of the AFEP-MEDEF Code and are the following:

Performance conditions	All of the performance shares are subject to the achievement of performance requirements of which some are internal and others relative. The Board of directors commits, in the event of a major change in the Group's strategy or structure, to adapt the performance conditions to future new
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	<p>challenges, in their nature as well as in the level of results to be achieved, while maintaining stringent requirements and transparency about such changes.</p>
Acquisition and performance period	<p>Satisfaction of these performance conditions is henceforth assessed at the end of the third fiscal year following the grant date.</p> <p>The Board shall not assess the achievement of performance conditions or deliver the shares of a given plan prior to the definitive acquisition date initially forecasted.</p>
Limits applicable to the grant	<p>The Board of directors, at its meeting held on 13 March 2018, reiterated the following principles regarding grants to officers:</p> <ul style="list-style-type: none"> <li>• the IFRS 2 value (which is used in the establishment of the Group's consolidated financial statements) of any annual grant shall not exceed one year of annual gross fixed compensation plus target variable compensation, which corresponds to the compensation obtained when achievements are strictly aligned with the set objectives. Thus, performance share compensation is capped at 100% of target short-term compensation (fixed and target variable), i.e. 200% of fixed short-term compensation.</li> <li>• the aggregate amount of annual grants to corporate officers cannot exceed 2.5% of the overall amount authorized by the General Shareholders' Meeting for grants of free shares within the Group or 5% of the total grants under the relevant plan.</li> </ul>
Holding requirement	<p>Since 2007, the Board of directors has also set, for each grant, the number of shares that the corporate officers must hold until they no longer exercises their duties. The Chief Executive Officer is thus required to hold, in registered form, 50% of the performance shares definitively granted to him during the entire term of his mandate (as renewed, if applicable).</p> <p>This holding requirement no longer applies, when the Chief Executive Officer reaches a retention target of shares held in registered form corresponding to the value of three years of his last gross annual fixed compensation.</p> <p>For the assessment of the holding requirement cap, the following is taken into account:</p> <ul style="list-style-type: none"> <li>• The gross annual fixed remuneration applicable as at the date of the last final share performance acquisition; and</li> <li>• The respective market prices of the shares held in registered form by the Chief Executive Officer as at the time of each final acquisition of performance shares.</li> </ul>
Prohibition of hedging instruments	<p>The Chief Executive Officer confirms his commitment to refrain from using hedging instruments on the performance shares granted by the Company during the full length of his term of office.</p> <p>To the Company's knowledge, no hedging instrument has been set up.</p>
Periods during which the sale of shares is prohibited	<p>It is prohibited to carry out any transactions involving the Company's securities during the 30-calendar day period preceding public disclosure of Alstom's half-year and annual results (reduced to 15 calendar days for quarterly results) until, and including, the third trading day (included) following such publication.</p> <p>During periods where trading is not prohibited, the Company's code of conduct</p>

	establishes an obligation to consult the Compliance Officer, in the event of any doubt prior to conducting a transaction.
Periodicity	The grants are completed annually (when completed), around the fiscal year closing date.

Grants are determined by the Board of directors on the recommendation of the Nominations and Remuneration Committee and take into consideration all of the Chief Executive Officer's compensation elements and market practices followed by comparable listed companies.

The general characteristics of the performance shares granted to the Chief Executive Officer are identical to those offered in all other grants made under the same plan to the Company's management teams.

The Company's policy is no longer to grant any stock option.

#### Exceptional compensation

The Company's policy is not to grant exceptional compensation.

#### Multi-year compensation

The Company's policy is not to grant multi-year compensation.

#### Directors' fee

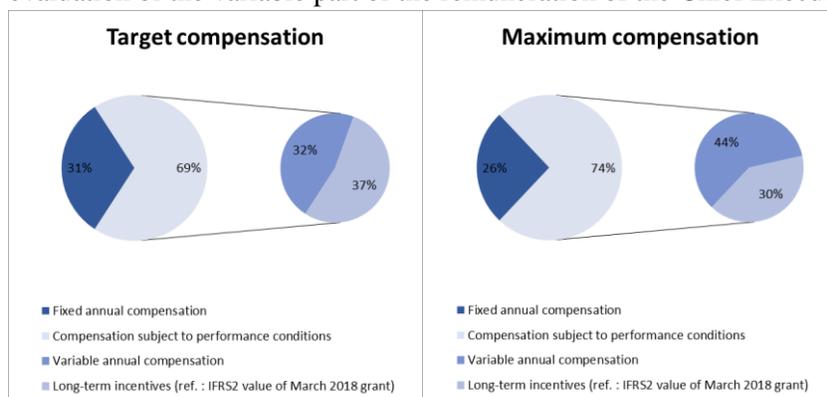
The Chief Executive Officer does not receive a Director's fee as a member of the Company's Board of directors or as a Director of any companies of the Siemens Alstom Group.

#### Benefits-in-kind

The Chief Executive Officer is entitled to a Company vehicle as well as supplemental health insurance, life and disability insurance and private unemployment insurance coverage, the costs of which are borne in part by the Company.

The Chief Executive Officer is not entitled to any other benefit-in-kind.

Illustration of the evaluation of the variable part of the remuneration of the Chief Executive Officer



### Post-mandate conditions

#### Severance indemnity

The Company's policy is not to grant any severance indemnity to its executive officer.

As of Closing Date of the Transaction, Mr. Poupart-Lafarge will therefore forgo the severance indemnity under his representative's mandate and will thus stop benefiting from any severance indemnity of any kind linked to the simultaneous termination of his employment contract with Alstom Executive Management SAS as of the Closing Date.

#### Non-competition covenant

Given the duties entrusted to him, the Chief Executive Officer agrees to a firm and irrevocable non-compete covenant, aiming at protecting the interests of the Company at the end of his mandate.

As of the Closing Date of the Transaction, this covenant shall forbid the Chief Executive Officer, following the termination of his mandate (for any cause and at any time), from taking any interest, part, partnering in any way or committing, directly or through a legal entity, as corporate officer (including as Director), employee, or consultant for any company, anywhere in the world, of which a significant share of their activity (15% of its turnover or at least €1 billion) relates to railway equipment or systems. Transportation operators themselves are excluded from the scope of this non-compete covenant.

This non-compete covenant is limited to a two-year period, starting from the termination date of the Chief Executive Officer mandate.

In exchange for this covenant, the Chief Executive Officer shall receive a total gross indemnity equal to two times his average gross annual fixed and variable compensation, excluding performance shares, received over the three fiscal years prior to the termination date of his mandate, this indemnity being paid monthly, in twenty-four equal payments, over the non-competition covenant two-year period.

In case of breach, at any time, of the non-compete covenant by the Chief Executive Officer:

- the Company shall be freed from its commitment to pay the financial consideration; and
- the Chief Executive Officer shall be obligated to repay any sums already received in exchange of this non-compete covenant.

The Company, through its Board of directors, retains the right, in the event of gross misconduct or major financial issue to unilaterally waive this covenant at the end of the Chief Executive Officer's mandate, in which case he will be freed from any commitment and no indemnity shall be owed for this commitment.

In any case, the present non-competition covenant shall not be applicable in the event the Chief Executive Officer retires at the end of his mandate. In this event, no indemnity would be owed.

#### Retention conditions of performance shares under vesting period

The Company's Board of directors shall assess, in due course, if the Chief Executive Officer may keep, in full or in part, the benefit of his rights to acquire performance shares allocated under plans that remain subject to performance conditions, under the following limitations:

- The Chief Executive Officer would only benefit from such retention if he is forced to leave the Siemens Alstom group, i.e. in the event of a revocation, but not of a resignation;
- The performance shares could not be definitively acquired prior to the acquisition date initially provided for in the relevant plans. As a result, no accelerated vesting of the performance shares may occur;
- The performance conditions shall continue to apply without any change during the whole initially

scheduled acquisition period;

- The number of definitively acquired shares, once established after assessment of the completion of performance conditions, shall be discounted by the amount of time spent in the Company's service divided by the acquisition period time of each concerned plan (i.e. a *prorata temporis* discount); and
- In any case, the opportunity of a final acquisition of the performance shares will be assessed according to the Company's situation at the time of the Chief Executive Officer's departure and at the initially scheduled delivery time. No performance share can be acquired if the Company experiences financial distress.

#### Supplemental pension plans

The Chief Executive Officer is entitled to two defined contributions pension plans: a collective plan under "Article 83" of the French general tax code and a collective plan under "Article 82" of the French general tax code.

- A defined contribution pension plan ("Article 83")
  - The contributions of the "Article 83"-type plan are paid annually and correspond to:
    - 1% of the annual compensation as high as four Annual Social Security Ceilings;
    - 4% of the annual compensation between four and eight Annual Social Security Ceilings; and
    - 11% of the annual compensation between eight and twelve Annual Social Security Ceilings.
  - The contributions are 95% borne by the Company.
- A defined contribution pension plan ("Article 82")
  - As part of this plan, the annual contributions are paid to a third-party entity in charge of the supplemental pension plan. The computation of this contribution is based upon the annual total compensation (annual fixed and variable compensation owed in cash) of the Chief Executive Officer in accordance with the following terms:
    - 10% of the fraction of the gross fixed compensation comprised between 8 and 12 Annual Social Security Ceilings and 20% of the fraction of the fixed compensation above 12 Annual Social Security Ceilings; and
    - 20% of the annual variable compensation as defined by the Board of directors.
  - The baseline compensation (annual fixed and variable owed in cash) for the contribution computation cannot, for any reason, exceed €2,000,000.
  - No contribution is to be paid if the variable compensation is equal to zero. The contributions are paid once a year, after the General shareholders' meeting approval of the annual variable compensation's payment of the prior fiscal year.
  - The Chief Executive Officer commits, once the fiscal and social obligations linked to these contributions are fulfilled, to keep the paid amount on the dedicated retirement-capital vehicle, at least for the duration of his mandate.

#### Specific situation of Mr. Henri Poupart-Lafarge as Chief Executive Officer

Since 1 January 2004, as an employee of the Company, Mr. Henri Poupart-Lafarge benefitted from a defined benefits pension plan under "Article 39" of the French general tax code. As of 31 December 2016, this plan

was terminated and the related accrued pension entitlements were frozen as previously authorized by the Board of Directors on November 8, 2016 and approved by the General Shareholders' Meeting of July 4th, 2017.

- The rights accrued over the period from 1 January 2004 to 31 December 2016, the date on which they were frozen, amounts to, as of 31 March 2018, an annual pension of €176,000 (in constant euros) subject to a condition of presence at the time the Chief Executive Officer asserts his rights to retire.
- Under the defined benefits plan, the amount of the commitments borne by the Company that would have allowed the payment of the previously mentioned pension is equal, as to 31 March 2018, to €5,641,000, including an amount of €1,091,806 of applicable taxes to supplemental pension.
- Starting from 31 December 2016, no new rights can be or have been acquired as part of this plan.

Given the intention of Mr. Henri Poupart-Lafarge to terminate his employment contract as of the Closing Date of the Transaction and at the latest at the end date of its current Director's mandate in 2019, in order to comply with the AFEP-MEDEF Code's recommendations and the market best practices, given the definitive acquisition of entitlements under the "Article 39" defined benefits pension plan as part of his employment contract (under a presence condition in the Company at the time of his retirement), and in the context of the implementation of the EU directive 2014/50/EU on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights, the Nominations and Remuneration Committee has recommended to the Board of directors:

- to definitely closeout this pension plan starting as of the Closing Date of the Transaction; and
- to offset the loss of the entitlements acquired between January 1, 2004 and December 31, 2016 through the payment of a balance on the defined contribution pension plan, named "Article 82", to be paid annually in thirds over three years, beginning the first anniversary of the completion date of the combination with Siemens, and subject to the Chief Executive Officer's presence within the Company, at each date on which payment of the amount falls due. The amount of this balance, assessed by the consulting actuary of the Company, amounts, at the present date, to a gross sum of €3,375,000 gross. This balance will be subject to social security contributions and taxes according to applicable law on each payment. The balance amount includes a 20% discount, saving for the Company, compared to the value of its engagements (not including tax) in order to take into account the impact of the transformation of entitlements submitted to presence requirements into a definitively acquired pension capital, i.e. an overall saving of €1,174,194 for the Company.

As for all of the amounts paid under the "Article 82" pension plan, Mr. Henri Poupart-Lafarge committed, after payment of the related social security and tax obligations, to maintain these amounts under this pension plan, at least until the end of his mandate as Chief Executive Officer.

The definitive closing of the "Article 39" plan will come into effect for all its beneficiaries.

The entire Board of directors, at its 30 May 2018 meeting, considering that:

- the Chief Executive Officer will no longer have any employment contract with the Company as of the Closing Date of the Transaction;
- the definitive closeout of the supplemental defined contribution pension plan, including for other beneficiaries, will cause a reduction of the Company's expenses; and that
- the payment of a balance over three years, as assessed by the consulting actuary, subject to a presence condition, will comply with the EU directive 2014/50/EU of the European Parliament and of the Council of 16 April 2014 on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights and will neither be a new benefit nor a supplemental pension plan for the Chief Executive Officer but a simple transformation of the nature of his pension scheme;

has taken note of the Nominations and Remuneration Committee proposal and consequently of the final closeout of the “Article 39” pension plan starting from the Closing Date of the Transaction, subject to its completion.

**Principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and any benefits-in-kind payable to non-executive officers**

The only non-executive officer of the Company will be the Chairman of the Board of directors.

Chairman of the Board of directors

The Chairman of the Board is only granted a fixed yearly remuneration amounting to € 300,000. He does not receive director’s fees in his capacity as director of the Company.

However, Dr. Roland Busch performing his mandate as part of the missions allocated to him as member of the Managing Board of Siemens AG, and subject to the approval of its appointment by the General Shareholders’ Meeting, will not receive any compensation from the Company and no compensation elements will be re-invoiced by Siemens AG to Alstom in this respect.

## **SCHEDULE**

### **FORTY-SIXTH RESOLUTION**

*(Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind payable to the Chief Executive Officer (directeur général) of the Company, following the completion date of the contributions)*

The General Meeting, deliberating under the conditions of quorum and majority required for ordinary general meetings,

- subject to (i) the condition precedent of the approval by the General Meeting of Resolutions 13 to 19 and 33 to 44 and approval by the Special General Meeting of Shareholders benefiting from double voting rights of resolution related to the removal of the double voting rights and (ii) the condition precedent of the completion of the French Contribution and the Luxembourg Contribution (subject to the *apport-scission* regime) pursuant to the provisions of the French Contribution Agreement and the Luxembourg Contribution Agreement dated 17 May 2018, as stipulated in Resolutions 13 and 14 of this General Meeting;
- after having reviewed the Board of Directors' Report drawn up in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code,

approve the principles and criteria for determining, allocating and granting the fixed, variable and exceptional components that collectively comprise the total compensation and benefits of any kind as described in the aforementioned report, which may be granted to the Chief Executive Officer for the end of the fiscal year during which the completion of French Contribution and the Luxembourg Contribution will fall and as from the completion date of the French Contribution and the Luxembourg Contribution, as mentioned in Resolutions 13 and 14 of this Meeting.

### **FORTY-SEVENTH RESOLUTION**

*(Approval of the principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components of the total compensation and benefits of any kind payable to the Chairman of the Board of Directors, following the completion date of the contributions)*

The General Meeting, deliberating under the conditions of quorum and majority required for ordinary general meetings,

- subject to (i) the condition precedent of the approval by the General Meeting of 13 to 19 and 33 to 44 and approval by the Special General Meeting of Shareholders benefiting from double voting rights of resolution related to the removal of the double voting rights and (ii) the condition precedent of the completion of the French Contribution and the Luxembourg Contribution (subject to the *apport-scission* regime) pursuant to the provisions of the French Contribution Agreement and the Luxembourg Contribution Agreement dated 17 May 2018, as stipulated in Resolutions 13 and 14 of this General Meeting;
- after having reviewed the Board of Directors' Report drawn up in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code,

approve the principles and criteria for determining, allocating and granting the fixed, variable and exceptional components that collectively comprise the total compensation and benefits of any kind as described in the aforementioned report, which may be granted to the Chairman of the Board of Directors for the end of the fiscal year during which the completion of French Contribution and the Luxembourg Contribution will fall and as from the completion date of the French Contribution and the Luxembourg Contribution, as mentioned in Resolutions 13 and 14 of this Meeting.