



Bernin, September 24, 2020,

## **COMPENSATION POLICY FOR CORPORATE OFFICERS VOTED AT THE GENERAL MEETING HELD ON SEPTEMBER 23, 2020**

Pursuant to the provision of the article R. 225-29-1 of the French Commercial Code, the compensation policy for corporate officers presented hereafter was voted at the Ordinary and Extra-Ordinary General meeting held on September 23, 2020 (resolution n°8 voted at 93.3% with a quorum of 69.86%).

The compensation policy presented hereafter recalls the one published on paragraph 4.2.3. "Compensation policy for corporate officers for the current fiscal year 2020-2021" of the Universal Registration Document submitted to the AMF (Autorité des Marchés Financiers) under number 20-0782 on September 2, 2020 and available on the Company's website ([www.soitec.com](http://www.soitec.com)), in the section Company - Investors - Financial Reports - All reports – 2019-2020, at the following link: <https://www.soitec.com/fr/investisseurs/rapports-financiers-2019-2020>.

### **COMPENSATION POLICY FOR CORPORATE OFFICERS FOR THE CURRENT FISCAL YEAR 2020-2021**

Taking into account the ordinance no. 2019-1234 dated November 27, 2019 and decree n° 2019-1235 dated November 27, 2019 on the compensation of corporate officers of listed companies, the following are presented in this compensation policy:

- principles and rules for determining the compensation and benefits common to corporate officers;
- notable changes made to the compensation policies compared to those approved by the Shareholders' General Meeting of July 26, 2019;
- the specific compensation policy applicable to our Chief Executive Officer;
- the specific compensation policy applicable to our Chairman of the Board of Directors;
- the compensation policy for all other executive corporate officers potentially appointed during the 2020-2021 fiscal year; and
- the specific compensation policy applicable to the directors;

as approved by the Board of Directors on August 4, 2020 and submitted to the Shareholders' General Meeting held on September 23, 2020.

#### **1 Rules applicable to the determination and the payment of the compensation for our executive corporate officers**

##### **A. Ex-ante Say-on-pay submitted for our shareholders' approval on September 23, 2020**

In accordance with Article L. 225-37-2 (II) of the French Commercial Code, at the Shareholders' General Meeting held on September 23, 2020, our Board of Directors submitted to our shareholders, for their approval, the compensation policy for our executive corporate officers, setting out the principles and criteria for the determination, allocation and distribution of the fixed, variable and exceptional components of the total compensation and all benefits in kind payable to the executive corporate officers of our Company for the performance of their duties, for the current fiscal year ending on March 31, 2021.

These principles and criteria as set out in this Section 4.2.1 of the Universal Registration Document were adopted by our Board of Directors at its meeting of August 4, 2020, upon recommendation of the Compensation

Committee.

## **B. Ex-post Say-on-pay to be submitted for our shareholders' approval in 2021**

Pursuant to Article L. 225-100 II. of the French Commercial Code, the amounts which will result from the implementation of the principles and criteria indicated below, composing the compensation policy for our executive corporate officers for the current fiscal year ending on March 31, 2021, will be submitted to our shareholders for approval at their General Meeting to be held in 2021 to cast a vote on the financial statements for said fiscal year.

In addition, we remind you that, in accordance with Article L. 225-100, III paragraph 2 of the French Commercial Code, the payment of the variable and exceptional components of compensation of each executive corporate officer will be subject to the approval by our shareholders of individual resolutions relating to the fixed, variable and exceptional components comprising the total compensation and benefits of any kind paid or granted during the fiscal year 2020-2021, under the conditions provided for in Article L. 225-100, III paragraph 1 of the said Code.

The compensation policy is established with reference to the AFEP-MEDEF Code, which recommends, under the terms of its Article 25, compliance with the principles of comprehensiveness, balance, comparability, consistency, understandability and proportionality.

This compensation policy set by our Board of Directors is subject to an annual review on the recommendation of our Compensation Committee. The latter ensures the proper application of the above principles in the context of its work and its recommendations to the Board of Directors, both in the development of policies and in their implementation for the determination of the amounts or valuations of compensation or benefits.

The Chairman of the Board of Directors and the Chief Executive Officer abstain from participating in the deliberations and votes on the compensation policy that concern them, thereby helping to avoid a possible conflict of interest.

## **2 Notable changes made to the compensation policy compared to that approved by the Shareholders' General Meeting of July 26, 2019**

The changes made by the Board of Directors to the policy approved by the Shareholders' General Meeting of July 26, 2019, are as follows:

- in accordance with the new regulations in force reforming the procedure for regulating the compensation of corporate officers (Say-on-pay *ex-post* and *ex-ante*):
  - since all corporate officers are now covered by this regulation, including the compensation of directors, a section on the specific compensation of directors has been added. It describes the principles, rules and criteria for distributing the fixed annual sum allocated by the Shareholders' General Meeting to compensate our directors,
  - commitments formerly subject to the procedure for regulated commitments (pension and provident schemes, benefits likely to be due on termination or change of position) are now included in the compensation policy;
- the modification of certain Paul Boudre's compensation items as detailed in this section;
- the modification of Éric Meurice's compensation as member of the Board of Directors and Committees as well as Chairman of the Board of Directors; and
- the modification of the *quorums* associated with the implementation of the rules for distributing the compensation allocated to our directors.

## **3 Compensation policy applicable to Paul Boudre, our Chief Executive Officer, the sole executive corporate officer**

### **A. Annual fixed and variable compensation**

Pursuant to his appointment as Chief Executive Officer, Paul Boudre's compensation policy for the current 2020-2021 fiscal year will be comprised of the following:

- (i) an annual fixed part of €550,000 gross, payable in 12 equal monthly payments during the fiscal year, it being recalled that this amount was set by our Board of Directors on July 26, 2018 and entered into force on January 1, 2019; and
- (ii) a variable annual part according to the different targets to be allocated after the fiscal year end and to be

paid only after approval by the Shareholders' General Meeting, which may range between 0% and 165% of the fixed part, as for the previous fiscal year ended March 31, 2020.

As was the case for the four previous fiscal years:

- achievement of the target values for the objectives approved by our Board of Directors will give the right to a variable part corresponding to 100% of the fixed part;
- achievement of the budget objectives will correspond to 90% of the target for the financial criteria; and
- exceeding target values of the financial objectives will be taken into account for up to 150%.

As for the 2019-2020 fiscal year, an increase of 10% of the result obtained by the measurement of both the financial and strategic objectives will be provided in the event of achievement of an additional objective which is for the 2020-2021 fiscal year relating to the increase in market shares of the main Soitec SOI products which could bring the variable part of Paul Boudre's compensation to 165% of the fixed part.

The amount of compensation paid will be calculated on a gross basis.

Our Board of Directors proposed to our shareholders, who agreed, to modify the weights of the objectives categories to be achieved as follows:

- the financial objectives represent a weight of 60% of the total objectives used to assess the variable part, compared to 65% previously; and
- the strategic objectives represent a weight of 40%, compared to 35% previously, and in particular include various criteria notably linked to corporate social responsibility, in accordance with the recommendations of the AFEF-MEDEF Code.

The Board of Directors also proposed to introduce a minimum EBITDA target in order to allow for a variable part greater than 100% of the fixed part of Paul Boudre's compensation. In the event that this threshold is not reached, the variable part will be capped at 100% of such fixed part even if the level of achievement of the other objectives would have allowed for a variable part greater than 100% of such fixed part.

In summary, the variable part of Paul Boudre's compensation will be calculated according to achievement of the following objectives at the end of the 2020-2021 fiscal year:

Type of objective and description	Weight
<b>I. FINANCIAL OBJECTIVES</b>	<b>60%</b>
1. Level of revenue (in USD million)	20%
2. Level of consolidated EBITDA (in % of revenue in euro at constant exchange rate)	20%
3. Level of operating cash (in € million)	20%
<b>II. STRATEGIC OBJECTIVES</b>	<b>40%</b>
<b>5 contributions identified as our Group's main growth drivers including:</b>	
1. Innovation (3 objectives)	15%
2. Partnerships (2 objectives)	6.7%
3. Customer/design wins	5%
4. Leadership & governance (3 objectives)	8.3%
5. ESG (2 objectives: quality of life at the workplace and climate change)	5%
<b>III. ADDITIONAL STRATEGIC OBJECTIVE</b>	<b>INCREASE BY 10% OF THE TOTAL VARIABLE COMPENSATION</b>
Increase in market share of certain Soitec products	

## B. Long term incentive – Free performance ordinary shares allocation

After having implemented in 2016 and 2019 long term incentives based on preferred shares to attract talents and sustain the growth of the company, the Board of Directors considers that a long-term incentive is particularly suited to the position of Chief Executive Officer in view of the direct contribution that he is expected to make to Soitec's long-term performance.

In this context Paul Boudre will be allocated with free performance ordinary shares. Except under specific circumstances, these allocations are granted on an annual basis and are limited on initial allocation to an

allocated amount that corresponds to the book value calculated at fair value and which may not exceed 300% of the annual fixed remuneration.

The vesting will be subject to the fulfillment of performance conditions measures over a several-year period and based on the achievement of targets relating to EBITDA, revenue and the total shareholder return (or TSR) of our Company's ordinary shares compared to the Euro Stoxx 600 Technology index. Other criteria may be taken into account, based in particular on the Company's corporate social responsibility.

The vesting will also be subject to a *prorata temporis* presence condition (pursuant to certain terms and conditions to be decided by the Board of Directors).

The vesting period (*la période d'acquisition*) and, where applicable, the retention period (*la période de conservation*) applicable after vesting are defined by the Board of Directors at the time of allocation and comply with the authorisation of the General Meeting dated July 26, 2019 (thirty-second resolution).

In accordance with Article L. 225-197-1 of the French Commercial Code, the Chief Executive Officer is required to hold in registered form, for the duration of his term of office, a number of vested shares whose value has been set by the Board of Directors as equivalent to 10% of his annual fixed compensation at the date the shares are delivered.

These free performance ordinary shares allocation criteria contribute to the objectives of the remuneration policy since they are in line with the Company's corporate interest, they contribute to its sustainability and they are aligned with its business strategy.

### **C. Additional compensation items**

Paul Boudre is receiving benefits in kind including in particular a company car, a voluntary insurance policy against employment loss and a key-person insurance in the event of death and disability.

As a director, he will not be the subject of any compensation in addition to that received for his duties as Chief Executive Officer.

Similarly, Paul Boudre will receive no additional compensation or directors' fees from the companies controlled by our Company.

### **D. Supplementary pension plans**

Paul Boudre is eligible for a so-called Article 83 defined contribution pension plan, which also applies to all employees of the Soitec's Economic and Social Unit of the plan is described in Section 4.2.7 of this report.

Paul Boudre remains a potential beneficiary of the benefit supplementary retirement plan defined "Article 39" presented in Section 4.2.7 of this report, without any additional right being attributed to him in respect of periods of employment after January 1, 2020.

### **E. Commitments of all kinds undertaken by our Company for Paul Boudre in respect of commencement, termination or change in his executive corporate officer functions**

On January 15, 2007, Paul Boudre entered into an employment contract with Soitec that has been suspended since June 1, 2008, the date on which he was appointed deputy general manager (*Directeur général délégué*) of the Company.

The termination of this employment contract gives the right, in particular in the event of "*rupture conventionnelle*" or dismissal, to a notice period and/or payment of compensation, in application of the provisions of the French Labour Code and the Collective Agreement for Engineers and Managers in the Metallurgy Industry.

Under this employment contract, Paul Boudre is bound by non-compete obligations for one year as of the termination of his employment contract, and this period may be renewed once. In the event that this non-compete clause is applied, Paul Boudre shall be paid financial compensation corresponding to 60% of his gross compensation during the non-compete period.

Our Company has the option to release Paul Boudre from this non-compete provision, subject to the agreement of the latter.

To comply with the provisions of the AFEP-MEDEF Code, which recommends that when an employee becomes Chief Executive Officer of the company, the employment contract binding this individual to the Company or a company of the Group should be terminated (paragraph 22.1 of the AFEP-MEDEF Code), Paul Boudre stated that he will resign from his employment contract entered into on January 15, 2007 (and suspended since June 1, 2008) during fiscal year 2020-2021 subject to the following specific adjustments of his Chief Executive Officer's term of office.

At its meeting of August 4, 2020, our Board of Directors decided, on the recommendation of the Compensation Committee, to set, as part of the 2020-2021 compensation policy, the additional components from which Paul Boudre will benefit as Chief Executive Officer if he ceases his functions in respect of his employment contract:

- i. the implementation of severance payment corresponding to one-year of his gross annual compensation (including the fixed and variable compensation paid to the Chief Executive Officer) paid on the basis of the previous fiscal year:
  - payment of this compensation would be subject to the achievement of a performance condition of at least 75% of the cumulative EBITDA objective over the two fiscal years preceding Paul Boudre's departure,
  - payment of this compensation would be due and payable under any circumstances of forced departure (*départ contraint*) regardless the form of such departure,
  - as an exception, this severance payment would not be payable in the event of a willful misconduct;
- ii. the implementation of a non-compete clause for a one-year period compensated in an amount of 50% of his gross annual compensation (including the fixed and variable compensation paid to the Chief Executive Officer) paid on the basis of the previous fiscal year, the Board of Directors being entitled to waive such non-compete obligation on a discretionary basis and without any financial compensation.

In addition, as CEO, Paul Boudre has undertaken to resign from his functions in respect of his employment contract and thus to terminate such employment contract subject to the above compensation clause being approved by the shareholders and implemented by the Board of Directors.

#### 4 Compensation policy of **Éric Meurice**, Chairman of our Board of Directors

##### A. Annual fixed remuneration and director's fee

In his capacity as Chairman of the Board of Directors, **Éric Meurice** will receive, subject to the increase decided retroactively as described below, an annual fixed compensation amounting to €50,000 gross, payable in one or more installments during the fiscal year.

Furthermore, he will be eligible for the payment of directors' fees for attending meetings of the Board of Directors and the Committees of which he is a member/the Chairman, under the same conditions as the directors of the Company other than Paul Boudre (who is not eligible for directors fees due to his duties as Chief Executive Officer).

Given the current positions of **Éric Meurice** and given an attendance rate of 100% for the 2020-2021 fiscal year, his total compensation would comprise the following components:

<b>Type of compensation and related duties</b>	<b>Amount (gross)</b>
<u>Chair of the Board of Directors</u>	
Annual fixed compensation	€50,000
<u>Member of the Board of Directors</u>	
Compensation paid to a member of the Board of Directors	€26,000
<u>Chair of the Strategic Committee</u>	
Compensation paid to the Chairman of the Strategic Committee	€17,000
<u>Member of the Strategic Committee</u>	
Compensation paid to a member of the Strategic Committee	€13,000
<u>Chair of the Compensation Committee</u>	
Compensation paid to the Chairman of the Compensation Committee	€17,000
<u>Member of the Compensation Committee</u>	
Compensation paid to a member of the Compensation Committee	€13,000
<u>Member of the Nomination &amp; Governance Committee</u>	
Compensation paid to a member of the Nomination & Governance Committee	€13,000
<u>Member of the Audit and Risks Committee</u>	
Compensation paid to a member of the Audit and Risks Committee	€13,000
<u>Member of the Restricted Strategic Matters Committee</u>	
Compensation paid to a member of the Restricted Strategic Matters Committee	N/A
<b>TOTAL</b>	<b>€162,000</b>

For the sake of clarity, please note that should Éric Meurice take other positions within the Committees of our Board of Directors during the current 2020-2021 fiscal year, his compensation would be adjusted as a result, in accordance with the currently applicable allocation rules for directors' fees.

## **B. Proposed change effective April 1, 2021 with possible retroactive application – annual fixed compensation and compensation allocated as a director**

The members of the Compensation Committee unanimously decided (except for Éric Meurice who left the meeting) to recommend to the Board of Directors to approve and submit to the Shareholders' General Meeting the increase of the compensation of the Chairman which is currently composed of a fixed and a variable part for his participation in Board meetings, and committees.

At its meeting on August 4, 2020, our Board of Directors decided, as a consequence, to redefine the compensation of its Chairman.

The compensation of Éric Meurice will be composed only of an annual fixed compensation of €230,000 gross as Chairman of the Board of Directors, prorated to the length of tenure of this Corporate office on a daily basis, and will not be any more eligible to any variable compensation related to his participation to Board or committee meetings. This compensation will not be part anymore of the budget set for directors' compensation by the Shareholders' General Meeting of July 2018 but submitted separately to the *ex-ante* and *ex-post* Say-on-pay votes of the shareholders of the Company.

This compensation of the Chairman of the Board of Directors will therefore correspond to a median reference level against a list of 28 comparable companies from the CAC Mid 60 Index.

However, in view of the current economic uncertainties due to the Covid-19 crisis, our Board of Directors proposed to our shareholders, who agreed, to postpone the increase to be effective for the year April 1, 2021 - March 31, 2022. It was also proposed to authorize the effective implementation of the aforementioned increase retroactively from April 1, 2020 in the event of an increase in the Company's turnover for the year April 1, 2020 - March 31, 2021.

For the financial year 2019-2020, his compensation was €155,547 gross, it being specified that it does not reflect the shareholding in year full membership of certain Committees that the Chairman joined during the year (member and Chairman of the Compensation Committee, and member of the Audit and Risks Committee) and was also based on a smaller number of meetings of the Board of Directors and of the Board of Directors' committees than the current number. In particular, during the last financial year, the Board of Directors met nine times versus seven times during the 2018-2019 fiscal year and an additional meeting of the Board of Directors is now institutionalized for the month of September. The change in his compensation is therefore justified by the increase in the number of Board and committee meetings in which he participates, as well as with regard to the compensation allocated to non-executive Chairmen in comparable companies.

## **5 Compensation policy for all other executive corporate officers potentially appointed during the current 2020-2021 fiscal year**

If our Company were to appoint another executive corporate officer during the current 2020-2021 fiscal year, such as a deputy general manager (*Directeur général délégué*), for example, his/her compensation policy could be set based on the principles and criteria for determining, allocating and distributing the fixed, variable and exceptional components similar to those comprising the total compensation and benefits of any kind attributable to Paul Boudre for the exercise of his duties as Chief Executive Officer for the fiscal year ending March 31, 2021 as presented above.

## **6 Compensation policy for our directors**

### **A. Principles**

The level of compensation paid to the directors is outlined in the Company's bylaws (Article 18).

In accordance with the law, the Shareholders' General Meeting sets the total annual amount that can be allocated to the directors as compensation for their activities (the "Budget"). This Budget is set by the Shareholders' General Meeting *via* a resolution submitted for approval.

The Budget thus approved by the Shareholders' General Meeting remains applicable and unchanged for each successive fiscal year until modified by the shareholders *via* a new resolution submitted for their approval.

The rules governing the distribution of this Budget are set by the Board of Directors and are also submitted to the Shareholders' General Meeting for the approval of this policy. The Rules of distribution take into account the effective participation by the directors in the work of the Board and the Committees, and therefore are mainly

variable. The total compensation must be adapted in response to the degree of responsibility held by the directors and to the time which they must devote to their duties.

## **B. Rules governing distribution**

According to the rules governing distribution approved by our Board of Directors, the Budget is distributed in whole or in part as follows:

- the Budget shall be allocated exclusively to directors who have no operational and/or executive duties within our Group;
- the compensation allocated to each director will be pro-rated to the actual length of that director's term of office, with regard to the compensation period under consideration;
- each year, the Board of Directors acknowledges the overall and individual distribution of the compensation resulting from the application of the distribution rules;
- regular attendance at the meetings of the Board of Directors and the Committees is rewarded (100% of the compensation is based on the attendance ratio);
- participation in meetings *via* conference call or video conferencing is considered equivalent to physical attendance.

Our Shareholders' also agreed that those amounts owed by our Company in respect of (i) the share of any potential social security payments and contributions and (ii) any company contributions for which our Company is responsible on the basis of the payment of directors' fees to its directors, shall not be included in this Budget. These shall therefore be paid in addition by our Company.

## **C. Reimbursement of expenses**

Each member of the Board of Directors is entitled to have any travel costs incurred in the context of the performance of his or her duties reimbursed upon presentation of receipts.

### **Quorums associated with the Budget approved at the Shareholders' General Meeting of July 26, 2018**

As a reminder, on March 27, 2019, further to a recommendation made by the Compensation Committee, our Board of Directors decided to set the rules governing the distribution of directors' compensation as follows, with retroactive effect to April 1, 2018:

<b>Functions</b>	<b>Compensation relating to an attendance rate of 100%</b>
Seat on the Board of Directors	€26,000 (gross)
Seat on a Committee (other than the Restricted Strategic Matters Committee)	€13,000 (gross)
Chairing a Committee	€17,000 (gross)

It being stipulated that the distribution shown above is based on an attendance rate of 100% for our directors over the whole of the fiscal year in question.

These distribution rules shall remain unchanged and continue to apply for the compensation allocated to our directors for the fiscal year 2020-2021 (except, as the case may be, in the event of an increase in the Company's turnover for the year April 1, 2020 - March 31, 2021 in which case the Board could decide to retroactively implement the new Budget describe below as from April 1, 2020).

### **Quorums associated with the Budget proposed to the Shareholders' General Meeting of September 2020**

Our shareholders voted, on the basis of a resolution proposed to the Shareholders' General Meeting held on September 23, 2020, a new Budget to be awarded to the members of our Board of Directors totaling €780,000 gross, compared with €720,000 gross for the previous fiscal year ended March 31, 2020 (being specified that the compensation of the Chairman would not be part anymore of this Budget).

In view of the current economic uncertainties due to the Covid-19 crisis, our Board of Directors proposed to our shareholders, who agreed, to postpone the increase to be effective for the year April 1, 2021 - March 31, 2022. It was also proposed to authorize the effective implementation of the aforementioned increase retroactively from April 1, 2020 in the event of an increase in the Company's turnover for the year April 1, 2020 - March 31, 2021.

This new Budget is taking into account an increase in the remuneration allocated to the Board members, from €26,000 to €46,000. Indeed, after analysis of the market practices both in France and in Europe, it appeared that the amount corresponding to attendance at Board meetings of €26,000 per year was well below practices. The €46,000 proposal would place Soitec at the average of comparable French companies (survey of 14 CAC Mid 60 companies) and 80% of the median of a panel of 20 European companies, mostly from the semiconductor sector.

Moreover, this proposed increase in the compensation includes in particular the increase in the number of meetings of the Board of Directors (nine meetings held during fiscal 2019-2020 compared with seven in fiscal 2018-2019) and of certain Committees.

Our Board of Directors has decided, at a meeting held on August 4, 2020, to set the rules governing the distribution of directors' fees as follows, with deferred effect as from April 1, 2021 (except, as the case may be, in the event of an increase in the Company's turnover for the year April 1, 2020 - March 31, 2021 in which case the Board could decide to retroactively implement this Budget as from April 1, 2020):

<b>Functions</b>	<b>Compensation relating to an attendance rate of 100%</b>
Seat on the Board of Directors	€46,000 (gross)
Seat on a Committee (other than the Restricted Strategic Matters Committee)	€13,000 (gross)
Chair of a Committee	€17,000 (gross)

The distribution above is based on an attendance rate of 100% for our directors over the whole of the fiscal year in question.