

Paris, February 24, 2021

## Information on the compensation policy proposed for the Chairman and Chief Executive Officer in respect of fiscal year 2021

In accordance with the AFEP-MEDEF Code

*In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, Lectra SA (the « Company ») is publishing below the compensation policy that will apply to Daniel Harari, Chairman and Chief Executive Officer, in respect of fiscal year 2021, subject to approval of this policy by the Annual Shareholders' Meeting of April 30, 2021. This compensation policy was determined by the Board of Directors during its meeting on February 24, 2021, acting on a recommendation from the Compensation Committee. It should be noted that the Chairman and Chief Executive Officer is the sole executive officer of the Company.*

### **Compensation principles that apply to the Chairman and Chief Executive Officer**

The compensation policy for the Chairman and Chief Executive Officer, as determined by the Board of Directors at its meeting on February 24, 2021 in respect of fiscal year 2021 is in line, in terms of principles and structure, with the policy of previous fiscal years, and in particular, with the policy approved by the Shareholders' Meeting of April 30, 2020.

In accordance with the recommendations of the AFEP-MEDEF Code, and in keeping with good governance practices, the Board of Directors ensures that the compensation policy is clear and transparent; consistent with the long-term strategy and the environment in which Lectra operates, with the Group's challenges and objectives; and also that it is capable of incentivizing performance and competitiveness by the officer. Furthermore, this policy reflects the experience, competencies and responsibilities of the Chairman and Chief Executive Officer; and takes into account the scope of the missions assigned to him.

The compensation of the Chairman and Chief Executive Officer includes variable compensation that is intended to promote consistent implementation of the strategy, year after year. The variable compensation is calculated on the basis of clear and complementary quantifiable criteria (to the exclusion of any qualitative criteria), expressed in terms of precisely-determined and predefined annual objectives reflecting the Company's strategy of profitable sales activity and earnings growth. In accordance with article 25.3.2 of the AFEP-MEDEF Code, these quantifiable criteria are simple, relevant and suited to the Company's strategy; and they account for the largest share of this compensation.

The three criteria used to determine the variable compensation of the Chairman and Chief Executive Officer correspond to the Group's three main objectives for the period covered by the 2020-2022 strategic roadmap:

- to grow sales, particularly for the Industry 4.0 offers launched in 2018-2019,
- to optimize income from operations, and
- to expand recurring contracts, particularly software subscriptions.



The annual objectives are set in advance, at the start of the year for that fiscal year, by the Board of Directors based on a recommendation by the Compensation Committee. The Board of Directors, with support from the Compensation Committee, is responsible for ensuring that the rules for setting the variable portion of compensation each year are consistent and in line with the evaluation of the company officer's performance, with progress made in implementing the Group's medium-term strategy, general macroeconomic conditions, and in particular those of the geographic markets and market sectors in which the Company operates. After the close of each fiscal year, the Compensation Committee verifies the annual application of these rules and the final amount of variable compensation, on the basis of the audited financial statements.

The Board of Directors is also responsible for ensuring that the compensation policy for the Chairman and Chief Executive Officer is appropriate in light of the conditions of employee compensation at Lectra. The performance criteria applicable to the variable compensation of Group employees eligible for this type of compensation are accordingly aligned with those applicable to the Chairman and Chief Executive Officer.

This compensation policy, the structure and fundamental principles of which have remained unchanged for several years, has proved its worth both in tough years and in years of record profits.

#### **Structure of the compensation of the Chairman and Chief Executive Officer**

The total annual compensation of the Chairman and Chief Executive Officer comprises a fixed portion and a variable portion.

The total annual amount of compensation, the ratio of the fixed to variable components, and the criteria for performance evaluation are established and regularly reexamined by the Board of Directors, without necessarily being revised each year. The compensation policy for the Chairman and Chief Executive Officer is subject to approval by the Shareholders' Meeting each year.

The compensation of the Chairman and Chief Executive Officer does not include any multiyear variable compensation, any exceptional compensation, any form of bonuses, stock options, performance-based shares or other long-term component of compensation, or any indemnity relating to the take-up or termination of his function, nor any supplementary retirement plan.

The only benefit accorded concerns the valuation of the utilization of a company car; the amount of which is set out in the Board of Directors' management report for each fiscal year.

The Chairman and Chief Executive Officer also receives compensation for being a member of the Board of Directors.

The Chairman and Chief Executive Officer has never combined his positions as company officer with an employment contract.

The compensation of the Chairman and Chief Executive Officer is paid in its entirety by the Company. He receives no compensation or particular benefit from companies controlled by Lectra within the meaning of article L. 233-16 of the French Commercial Code. Lectra is not controlled by any company.

## Compensation of the Chairman and Chief Executive Officer in respect of 2021

In accordance with the above-mentioned principals and subject to approval by the Shareholders' Meeting of April 30, 2021, the Board of Directors, at its meeting on February 24, 2021, on a recommendation by the Compensation Committee, decided to:

- maintain the total annual target-based compensation of the Chairman and Chief Executive Officer at €780,000 for fiscal year 2021;
- maintain the fixed to variable compensation ratio for fiscal year 2021 : the fixed compensation of the Chairman and Chief Executive Officer would account for 50% of his total annual target-based compensation, and the variable compensation would account for 50% of his total annual target-based compensation.

As a reminder, the total annual target-based compensation of Daniel Harari, as well as the fixed to variable compensation ratio, were set by a decision of the Board of Directors on July 27, 2017, when he became Chairman and Chief Executive Officer, and have remained unchanged since that date.

### Fixed compensation

In accordance with the decision of the Board of Directors at its meeting on February 24, 2021, and subject to approval by the Shareholders' Meeting of April 30, 2021, the fixed compensation of the Chairman and Chief Executive Officer for fiscal year 2021 would remain at €390,000.

### Variable compensation

In accordance with the decision of the Board of Directors at its meeting on February 24, 2021, and subject to approval by the Shareholders' Meeting of April 30, 2021, the target-based variable compensation of the Chairman and Chief Executive Officer for fiscal year 2021 would remain at €390,000.

In accordance with the abovementioned principles and on a recommendation by the Compensation Committee, at its meeting on February 25, 2020, the Board of Directors revised for the 2020-2022 period, and subsequently adjusted on February 24, 2021, the performance criteria reflecting the Company's strategy of profitable sales activity and earnings growth used to determine the variable compensation of the Chairman and Chief Executive Officer, reducing the number to three criteria and increasing the weighting for recurring contracts in light of the 2020-2022 strategic roadmap's objectives:

- (i) a criterion measuring the contributive value of growth in sales activity (accounting for 40%);
- (ii) consolidated income before tax, excluding net financial expense and non-recurring items (accounting for 30%);
- (iii) protection of recurring contracts (accounting for 30%).

"Protection of recurring contracts" was the only criterion adjusted by the Board of Directors on February 24, 2021, for fiscal years 2021 and 2022, to measure the continuation of contracts in effect on January 1 of the year, and the variation in their value.

For each of the three criteria, the variable compensation is equal to zero below specified thresholds, equal to 100% if the annual objectives are achieved, and capped at 200% if the annual objectives are exceeded. Between these thresholds, it is calculated on a straight-line basis. These results are then



weighted by the relative weight of each criterion. Only the annual objectives and the corresponding thresholds are reviewed each year in light of the Group's objectives for the year.

The variable compensation is accordingly equal to 0% if none of the thresholds are met, and is capped at 200% of the target-based variable amount if the annual objectives are exceeded for all the criteria and cause each to be capped at 200%. As variable compensation accounts for 50% of the total annual target-based compensation, the actual total compensation can therefore vary, depending on performance, between 50% and 150% of the target-based amount. In other words, variable compensation is between 0 and 200 % of fixed compensation.

These criteria and targets apply also to the members of the Executive Committee, excluding the region leaders who are not company officers; the only differences being the weighting given to each criterion and the relative share of their target-based variable compensation, which is specifically geared to each of them and adapted to their duties and targets; their variable compensation thus ranges from 15% to 35% of total target-based compensation depending on the member of the Executive Committee. These criteria also apply to certain managers reporting to them, with the same specific features.

Under Article L. 22-10-8, III, paragraph 2 of the French Commercial Code, the Board of Directors may, on the recommendation of the Compensation Committee, temporarily derogate from the compensation policy for the Chairman and Chief Executive Officer in exceptional circumstances and insofar as the changes made are in the Company's interest and necessary to ensure the Company's continuity or viability.

The compensation component for which such derogation is permitted is the annual variable compensation. Such derogation would consist in a change to the performance criteria and the annual targets mentioned above, in the event of exceptional circumstances arising inter alia from a significant change in the Group's scope of consolidation following a merger or divestment, the acquisition or creation of a new business of material importance, or the discontinuation of a business of material importance, or a major change in strategy or major event affecting the Group's markets and/or business sector.

Modification of these performance criteria and targets by the Board of Directors could thus take into account changes in the Group's scope of consolidation following an exceptional external growth operation, if the situation of the Company and Group were to so warrant. This would be the case for the acquisition of Gerber Technology announced by a press release dated February 8, 2021, if this acquisition were to be completed.

Any such modification would ensure that the variable compensation continues to reflect the actual performance of the Group and of the Chairman and Chief Executive Officer. It would be clearly explained and made public, with the Company providing specific information to justify the derogation in light of its situation and the reasons such derogation is required.

Payment of the variable compensation would in all cases continue to be subject to approval by the shareholders.



### Compensation for directorships

In accordance with the allocation rules governing the Directors' compensation, as set by the Board of Directors at its meeting on February 11, 2016, Daniel Harari's compensation for being a member of the Board of Directors amounts to a maximum of €40,000<sup>1</sup>, this amount remains unchanged compared with previous fiscal years.

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Information relating to the company officers' compensation is detailed further in the Report on Corporate Governance, which was adopted by the Board of Directors at its meeting on February 24, 2021 and which will be presented to the shareholders at the Combined Shareholders' Meeting of April 30, 2021. This report will be included in the 2020 Annual Financial Report, which will be available on Lectra's website.

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<sup>1</sup> *This maximum amount of €40,000 represents the amount payable to Daniel Harari provided that he actually attends all of the Board of Directors' meetings that will be held in fiscal year 2021.*