

ELECTRO POWER SYSTEMS S.A.

French *Société anonyme* organized with a Board of Directors

With a share capital of EUR 1,576,361.40

Registered office: 13, avenue de l'Opéra, 75001 Paris

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**REMUNERATION REPORT OF THE BOARD OF DIRECTORS
SUBMITTED TO THE ANNUAL ORDINARY AND
EXTRAORDINARY
DATED 21 JUNE 2017**

This report presents the principles and criteria for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the corporate officers of Electro Power Systems (the "**Company**") for the financial year ending 31 December 2017, *i.e.* the Chief Executive Officer, Mr. Carlalberto Guglielminotti and the Chairman of the Board of Directors, Mr. Massimo Prezl Oltramonti.

This report was prepared in application of the provisions of Article L. 225-37-2 of the French *Code de commerce* and is attached to the management report of Articles L. 225-100 and L. 225-102 of the French *Code de commerce*. It was established by the Board of Directors on 31 May 2017.

Pursuant to the provisions of Article L. 225-37 of the French *Code de commerce*, Electro Power Systems has adopted the Middenext corporate governance code dated December 2009 (such as updated on September 2016).

The Company's principles and criteria for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Chief Executive Officer and the Chairman of the Board of Directors will be submitted to the vote of the shareholders at the general meeting of 21 June 2017.

It is specified that the payment in 2018 of the variable compensation for 2017 described below is subject to the approval by the shareholders at an ordinary general meeting of the shareholders in 2018, as provided in Article L. 225-100 of the French *Code de commerce*.

1. General principles

The Board of Directors has adopted, for 2017, the general principles described below, with the objective of ensuring consistency between the compensation received and both the overall performance of Electro Power Systems and the individual performance of the concerned individuals.

Mr. Carlalberto Guglielminotti has been a Board member and the CEO of the Company since 2 December 2015. He has also been the CEO of EPS Manufacturing, the main, Italian, operating subsidiary of the Group since 14 November 2013. He is the CEO of all the other subsidiaries of the

Group. Carlalberto Guglielminotti is bound by a management agreement entered into with both EPS Manufacturing and the Company.

Mr. Massimo Prelz Oltramonti has been the Chairman of the Board of Directors since 8 April 2016.

None of the above two executive corporate officers has an employment contract (*contrat de travail*) with the Company.

The Board of Directors adopted for the financial year 2017 the general principles described hereafter on the basis of which the compensation and benefits of the CEO and of the Chairman of the Board of Directors have been determined:

- The level and difficulty of the responsibilities of the corporate officer.
 - The experience and seniority in the Company and the Group of the corporate officer.
 - The Company's performance and development on an annual basis.
 - The best practices in companies exercising comparable activities.
 - No termination indemnity or non-compete indemnity in the event of departure.
 - No additional supplementary pension plan.
2. Criteria and methods used in 2017 by the Board of Directors for determining, allocating and granting the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the CEO, Mr. Carlalberto Guglielminotti

2.1. Fixed compensation

The CEO will receive a fixed compensation of 130,000 euros for the financial year 2017. This fixed compensation, unchanged compared to financial year 2016, is paid in 12 monthly instalments.

The fixed compensation of the CEO may be reviewed on the long-term, outside of any overall salary review that could be applied to all the other Company's employees and except for exceptional events.

2.2. Variable compensation

The CEO is eligible to a bonus based on his performance, as appreciated by the Board at the end of the fiscal year (or the beginning of the next) and with a cap of 50% of the fixed compensation. As indicated above, the payment of any such bonus decided by the Board will be subject to shareholder approval.

2.3. Attendance fees (*jetons de présence*)

The envelope of attendance fees is voted every year by the annual general meeting of the shareholders of the Company. For the financial year 2017, as indicated in the resolution n° 6 submitted to the vote of the general meeting to be held on 21 June 2017, this envelope amounts to 120,000 euros.

The Board of Directors distributes the attendance fees among the directors by taking into account the actual participation of the directors at the Board meetings and their participation at the specialised committees of the Board.

The performance of specific tasks may give rise to the allocation of an additional amount of attendance fees or to the payment of extraordinary compensation, subject to the provisions of French law regarding "regulated agreements".

For the financial year 2017, the CEO will receive attendance fees, as director of the Company, in the amount of 10,000 euros, unchanged compared to the amount paid for financial year 2016.

2.4. Benefits in kind

A company car is allocated to the CEO, representing a benefit of 700 euros per month.

2.5. Allocation of stock options

For the financial year 2017, as indicated in the resolution n° 13 submitted to the vote of the general meeting to be held on 21 June 2017, the Board will have, if this resolution is adopted, the power to grant a maximum of (together with any warrants granted pursuant to the 14th resolution) 400 000 stock options.

The CEO is eligible to receive a portion of such stock options, based on his performance, as appreciated by the Board at the end of the fiscal year (or the beginning of the next).

3. Criteria and methods used in 2017 by the Board of Directors for determining, allocating and granting of the fixed, variable and extraordinary components of overall compensation and benefits of all kind that may be granted to the Chairman by the Board of Directors, Mr. Massimo Prelz Oltramonti

3.1. Fixed and variable compensation

The Chairman of the Board of Directors will not be entitled to any fixed or variable compensation for the financial year 2017.

3.2. Attendance fees (*jetons de présence*)

The envelope of attendance fees is voted every year by the annual general meeting of the shareholders of the Company. For the financial year 2017, as indicated in the resolution n° 6 submitted to the vote of the general meeting to be held on 21 June 2017, this envelope amounts to 120,000 euros.

The Board of Directors distributes the attendance fees among the directors by taking into account the actual participation of the directors at the Board meetings and their participation at the specialised committees of the Board.

The performance of specific tasks may give rise to the allocation of an additional amount of attendance fees or to the payment of extraordinary compensation, subject to the provisions of French law regarding "regulated agreements".

For financial year 2017, the Chairman of the Board of Directors will receive attendance fees in the amount of 50,000 euros, unchanged compared to the amount paid for financial year 2016.

3.3. Warrants (*bons de souscriptions d'actions*)

For the financial year 2017, as indicated in the resolution n°14 submitted to the vote of the general meeting to be held on 21 June 2017, the Board will have, if this resolution is adopted, the power to grant a maximum of (together with any stock options granted pursuant to the 13th resolution) 400 000 warrants.

The Chairman of the Board is eligible to receive a portion of such warrants, based on his performance, as appreciated by the Board at the end of the fiscal year (or the beginning of the next).