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REPORT ON CORPORATE GOVERNANCE

Pursuant to Article L. 225-68 of the Commercial Code, we remind you of Somfy SA's corporate governance principles and hereby present information in relation to corporate officers' remuneration and elements liable to have an impact in the event of a public offering. We also inform you of our observations on the Management Board's management report and on the financial statements for the year just ended. The company's Financial and Legal Departments are the major contributors to the preparation of this report under the authority of the Supervisory Board.

This report was forwarded to the Statutory Auditors, submitted to the Audit Committee of 5 March 2019 for review, and to the Supervisory Board on 6 March 2019 for approval.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

Somfy SA refers to the Middelnext Corporate Governance Code for listed companies revised on 14 September 2016 (the Middelnext Code hereafter), available at www.middelnext.com. The Board reviewed at its meeting of 15 November 2018 the areas requiring attention in compliance with the R19 recommendation of the Middelnext Code.

Among the recommendations of the Middelnext Code, the Board noted that the company had rejected the application of the following recommendations:

Rejected recommendations	Explain
Audit Committee to be chaired by an independent member (R6)	The Chairman of the Audit Committee is a member of the controlling family, whose training and professional experience qualify him to hold this position. Furthermore, the other member of the Audit Committee is an independent member.

COMPOSITION OF CORPORATE GOVERNANCE BODIES

Somfy is a French limited company (*société anonyme*), whose organisation is based on the "Management Board and Supervisory Board" formula, which entrusts company management to the former under supervision of the latter.

COMPOSITION OF THE MANAGEMENT BOARD

Management Board members are appointed by the Supervisory Board in accordance with legal provisions.

Management Board members are appointed for a term of four years (or, by exception, a shorter term to ensure that Board members' terms of office are staggered), which will cease at the end of the General Meeting called to approve the financial statements for the year then ended and held during the year in which their term expires.

At 31 December 2018, the Management Board was composed as follows:

Name	Position	Age	Date renewed	Date term ends
Jean Guillaume Despature	Chairman	41	17 May 2017	2021 AGM
Pierre Ribeiro	Chief Financial Officer	52	17 May 2017	2021 AGM

COMPOSITION OF THE SUPERVISORY BOARD

The Somfy SA Supervisory Board consists of seven members:

Name	Position	Age	Nationality	Date appointed	Date term ends	Audit Committee	Remuneration Committee	Relevant expertise and experience*
Michel Rollier	Chairman Independent member	74	French	Member of the Supervisory Board: 15 May 2012/ Chairman of the Supervisory Board: 16 May 2013	2022 AGM	–	Chairman	
Victor Despature	Vice-Chairman	69	French	15 May 2007	2021 AGM	Chairman	Member	
Paule Cellard	Independent member	63	French	16 May 2013	2021 AGM	Member	–	
Anthony Stahl	Member	45	French	28 June 2002	2019 AGM	–	–	
Marie Bavarel-Despature	Member	38	French-Swiss	17 May 2017	2020 AGM	–	–	
Sophie Desormière	Independent member	52	French	17 May 2017	2021 AGM	–	–	
Florence Noblot	Independent member	55	French	17 May 2017	2021 AGM	–	–	

* Relevant expertise and experience are detailed in the section titled "Expertise and experience of the members of the Supervisory Board".

Regarding the composition of the Supervisory Board, shareholders at the next General Meeting will be asked to:

- re-appoint Anthony Stahl as a member of the Supervisory Board for a period of four years which will expire at the end of the General Meeting to be held in 2023 to approve the financial statements for the year just ended.

There were no changes in the Board's membership over the period. Michel Rollier was reappointed to the Supervisory Board at the General Meeting of 16 May 2018 for a term of four years, expiring at the end of the General Meeting to be held in 2022 to approve the financial statements for the year then ended. The latter was also reappointed Chairman of the Supervisory Board at the Board meeting of 16 May 2018.

Equal representation of men and women on the Board

The Board currently consists of seven members, including four women. As such, the company complies with the legal provisions regarding gender equality applicable at the end of the Annual General Meeting held in 2017, namely, given the size of the Board, a maximum difference of two between the number of members of each gender.

Self-assessment of the Supervisory Board

At its meeting of 15 November 2018, the Board carried out the annual assessment of its operation and its work and those of its Audit and Remuneration Committees, with no particular comments to make in this regard. An assessment *via* a questionnaire sent out to each Supervisory Board member is planned during the course of 2019.

CONDITIONS OF PREPARATION AND ORGANISATION OF THE SUPERVISORY BOARD'S WORK

The Supervisory Board performs its control mission in accordance with the conditions prescribed by law.

A Chairman and a Vice-Chairman are elected from among its members, and they may call meetings of the Supervisory Board by any means, including verbally.

INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

A group of family shareholders holds the majority stake in Somfy SA. As provided by the Middlednext framework, the Board assesses the independence of its members every year and at the time of their appointment.

Based on the independence criteria suggested by the Middlednext framework, the Supervisory Board notes that, to date, four members of the Board are independent, with no relationship of any nature whatsoever with Somfy SA or its Management, or with a company consolidated by the Group, that may affect his/her freedom of judgement, and who meets the following criteria:

- is not and has not been an employee or executive corporate officer of Somfy SA or any other Group company during the last five years;
- has not had, during the past two years, and does not have any significant business relationship with the company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.);
- is not a significant shareholder of the company or holds a significant percentage of voting rights;
- does not have a close relationship or family connection with a corporate officer or a significant shareholder;
- has not been, over the previous six years, a Statutory Auditor of the company.

In light of these criteria, the Supervisory Board considered that Paule Cellard, Sophie Desormière, Florence Noblot and Michel Rollier qualified as independent members. The Board noted that there was no business relationship between the independent members and the Group.

Summary table:

Independent members of the Supervisory Board	Michel Rollier	Paule Cellard	Sophie Desormière	Florence Noblot	Explanation in the event of non-compliance
Is not and has not been an employee or an executive corporate officer of the company or any other Group company during the last five years	X	X	X	X	
Has not had, during the past two years, and does not have any significant business relationship* with the company or its Group (customer, supplier, competitor, service provider, creditor, banker, etc.)	X	X	X	X	
Is not a significant shareholder of the company or holds a significant percentage of voting rights	X	X	X	X	
Does not have a close relationship or family connection with a corporate officer or a significant shareholder	X	X	X	X	
Has not been a Statutory Auditor of the company over the previous six years	X	X	X	X	
Conclusion on independence	Independent	Independent	Independent	Independent	

* Where necessary, the material nature of relationships may be debated and the assessment criteria clarified at a Board meeting. To date, no significant business relationship exists.

EXPERTISE AND EXPERIENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

As regards the independent members of the Supervisory Board, Paule Cellard provides the Group with her international experience in the fields of finance, risk monitoring and compliance; Michel Rollier provides the Group with the full breadth of his industrial and international experience gained with Michelin Group, particularly in the fields of finance, strategy and marketing; Sophie Desormière provides the Group with her industrial and international experience gained first with Valeo Group and then with Solvay Group in the fields of strategy, sales and marketing; and Florence Noblot provides the Group with her European and Asian (China, Singapore) experience gained with DHL Group in the fields of strategy, sales and marketing.

The other members of the Supervisory Board, in addition to the expertise and professional experience they bring to the Group, are members of the family and therefore have a family Code of Ethics, which reinforces the shared respect for the shareholders' agreement. Moreover, their own individual substantial investment naturally motivates their long-term commitment to the Group, their aim being the creation of value on a sustainable basis for all the stakeholders of Somfy SA.

OPERATION OF THE SUPERVISORY BOARD

The company bylaws define and specify the terms and conditions governing the composition of the Supervisory Board. The main provisions are the following:

Supervisory Board members, the number of which can never fall below the legal threshold nor exceed the legal limit, are appointed in accordance with the conditions specified by law for a term of office of four years. By exception and solely to enable the implementation or maintenance of staggered terms of office, the Ordinary General Meeting may appoint one or more members of the Supervisory Board for a term of one, two or three years.

All outgoing Supervisory Board members may be reappointed.

The term of office of a Supervisory Board member ceases at the end of the Shareholders' Ordinary General Meeting called to approve the financial statements for the financial year just ended and held in the year that the term of office of the said member of the Supervisory Board expires.

No one may be appointed as a member of the Supervisory Board, if, being over 75 years old, his/her appointment leads to over a third of the members of the Supervisory Board being over that age. The Supervisory Board meets at least once quarterly on an agenda drafted by its Chairman. During the 2018 financial year, it met on five occasions with an attendance rate of 86%.

Supervisory Board meetings either take place at the registered office or at any other location specified in the notice of the meeting.

Pursuant to Article 19 of the bylaws and Article 5 of the internal regulations, Supervisory Board members who participate in Board meetings using video-conferencing or other means of telecommunication that enable them to be identified and guaranteeing their effective participation in accordance with the conditions provided for by the regulations, are deemed to be present for quorum and majority calculation purposes. However, this provision does not apply to the review and audit of parent company and consolidated financial statements.

It is specified that, in accordance with the Middledex Code, the physical presence of members is preferred and, if members are unable to attend, video-conferencing is preferred over telephone conversations.

At each ordinary meeting, the Management Board presents a report on the operations and results of the Group and its major subsidiaries for the quarter just ended. A detailed income statement with commentary is presented by the Management Board for every half-year and annual closing. In addition, the Supervisory Board receives a monthly sales report.

Within 90 days following the end of each financial year, the parent company and consolidated financial statements approved by the Management Board are sent to the Supervisory Board for review. The Board then presents its observations on the report of the Management Board as well as on the financial statements to the

General Meeting; these observations are included in this report on corporate governance.

For the approval of the half-year financial statements, only the consolidated financial statements are prepared and submitted to the Supervisory Board within three months of interim closing.

The Supervisory Board asks the Management Board and Management to provide any information or analysis they deem necessary or a presentation on any specific subject.

In accordance with the law, the Supervisory Board provides guidelines to the Management Board so that commitments to deposits, sureties or guarantees are validly provided by the company. The authorisation of the Supervisory Board is required in every case where a commitment does not meet these conditions.

The rules of operation of the Supervisory Board are specified in the Supervisory Board's internal regulations, which are available on the company's website.

The Board's internal regulations also include provisions aimed at preventing and managing conflicts of interest.

In this respect, the internal regulations specify that "should a situation arise where there appears to be a conflict of interest between corporate and direct or indirect personal interests, or the interests of the shareholder or group of shareholders he/she represents, the Board member concerned must:

- inform the Board of this conflict of interest as soon as he/she becomes aware of it;
- take all appropriate action in relation to exercising his/her term of office.

Depending on the case, he/she therefore shall:

- abstain from participating in discussions and from voting on the relevant deliberation;
- refrain from attending Board meetings during the period he/she is in a position of conflict of interest;
- resign from his/her duties as a member of the Board.

The Board member may be held liable for failing to comply with these abstention and non-attendance rules.

Furthermore, the Chairman of the Board is not obliged to disclose information or documentation relating to the matter in dispute to members whom he has strong grounds of suspecting are in a position of conflict of interest within the meaning of this paragraph, and will inform the Supervisory Board of this act of non-disclosure."

In its meeting of 16 May 2018, the Board conducted an annual review of the known potential conflicts of interests in accordance with the R2 recommendation of the Middlednext Code.

The principal subjects discussed at meetings of the Supervisory Board during the year were the following:

- quarterly highlights by brand, activity and geographic region;
- presentation of the management transformation project;
- update on proposed acquisitions;
- focus on the IWC (Interior Window Covering) market;
- update on Dooya;
- update on Myfox;
- update on the industrial transformation;
- update on radio protocols;
- presentation of the Middle East & Africa Business Area;
- update on the "connected home" strategy;
- progress update on thermal regulations in France and Europe (European Directives);
- update on the new risk mapping;
- GDPR (General Data Protection Regulation) roadmap;
- update on the Group's market share;
- appointment of the Chairman of the Supervisory Board and proposed review of his remuneration by the Remuneration Committee;

- update on the composition of the Audit and Remuneration Committees;
- payment to the Chairman of the Management Board and the Management Board member serving as Chief Financial Officer of their respective variable remuneration in respect of the financial year ended;
- update of the Supervisory Board's internal regulations;
- assessment by the Supervisory Board of its operation and the preparation of its work;
- update on the independence of the members of the Supervisory Board;
- review of the policy regarding equality in the workplace and equal pay;
- review of Audit Committee reports;
- findings of the Remunerations Committee;
- allocation of attendance fees;
- presentation of the main budget priorities for 2019.

COMMITTEES ESTABLISHED BY THE SUPERVISORY BOARD

Audit Committee

With regard to the Audit Committee, the company applies the recommendations of the AMF's working group chaired by Mr Poupart Lafarge at the Audit Committee meeting of 22 July 2010. The recommendations in respect of the composition and chairmanship of the Committee, the competence of its members and definitions of their independence, the operation (information, evaluation and reporting on the work undertaken), as well as the recommendations relating to the execution of its legal responsibilities have been followed.

The follow-up on the effectiveness of the internal control and risk management systems has also been carried out.

In 2018, as part of its assignment relating to risks, the Audit Committee monitored risks and updated the risk mapping at an extraordinary meeting of the Audit Committee, during which the Internal Audit and Risk Management Officer presented the relevant information.

The Audit Committee comprises two members: Victor Despature as Chairman, and Paule Cellard, independent in accordance with the criteria mentioned in the above paragraph "Independence of the members of the Supervisory Board".

Victor Despature has accounting expertise. He has been a Chartered Accountant and an Auditor from 1983 to 2000. Since then, he served as the General Manager of a major family-owned group from 2002 to 2006, as Chairman of the Legal Committee from 2002 to 2008 and as Chairman of the Supervisory Board from 2012 to 2017. He was also a member of the Remuneration Committee of this group from 2002 to 2017. From 2000 to 2017, he also led a medium-sized company operating in the aeronautic sub-contracting sector and has been the Chairman of the latter's Supervisory Board since 1 July 2017.

Paule Cellard, graduate of ESC Paris (Business School) and with an international law master's degree from the Paris Assas Law School, has held various operational roles in Corporate and Investment Banking. In particular, between 2006 and 2009 she was CEO of Gestion Privée Indosuez, and was subsequently Global Director of Compliance for Crédit Agricole Corporate & Investment Bank, until 2012. Since November 2012, she has been a Director of CA INDOSUEZ Wealth Management Europe, where she has been chairing the Audit and Risk Committee since December 2015. Since February 2017, she has been a Director of HSBC France and a member of the Audit and Risk Committees since October 2017. She has expertise in the financial field and strong experience in risk management.

The Committee's mission is to:

- monitor the preparation process of financial information and, if necessary, formulate recommendations to ensure its integrity;
- monitor the efficiency of internal control and risk management systems, as well as of the internal audit where applicable, regarding the processes related to the preparation and processing of accounting and financial information, without it affecting its independence;
- monitor the completion by the Statutory Auditors of their assignment, taking into account the observations and findings of the *Haut Conseil du Commissariat aux Comptes* (Statutory Auditors' Supervisory Body) following the audits performed pursuant to Articles L. 821-9 and subsequent;
- ensures the latter's independence;
- take part in their selection by issuing a recommendation on the Statutory Auditors proposed for appointment by the General Meeting;
- approve the provision of services other than the certification of the financial statements, mentioned in Article L. 822-11-2 of the Commercial Code.

The Audit Committee regularly reports on the performance of its assignments to the Supervisory Board, and also reports on the results of the assignment to certify the financial statements, on the way in which this mission has contributed to the integrity of financial information and on the role it has played in this process. It shall inform the Supervisory Board without delay of any difficulty encountered.

Since its creation, it has met at each half-year and year-end balance sheet date. It meets as often as necessary, and at least twice every financial year, prior to the Supervisory Board's review of the half-year and annual financial statements and/or the proposed appointment of Statutory Auditors.

During the 2018 financial year, the Audit Committee met on four occasions with all members in attendance, except for the September 2018 meeting, when one member was absent.

During the various Audit Committee meetings, the Chief Financial Officer and the Group Head of Consolidation presented the financial position of the Group, the accounting options adopted, the risk exposure, the significant off-balance sheet commitments and the changes in the consolidation scope; Internal Audit presented the results of audits carried out, the proposed annual audit plan and the results of the risk mapping update, in collaboration with the Internal Control and Risk Officer.

In addition to the recurring topics set out above, the following in particular were presented to the Audit Committee in 2018:

- the Group's General Information Systems Security Policy (governance, challenges, principles and responsibilities), presented by the Group's IT Security Architect;
- an annual update on the Group's ethics policy and implementation of the anti-corruption programme to comply with the "Sapin II" Act, presented by the Group Ethics Officer;
- a summary of current and future projects run by the Internal Audit Department, presented by the Internal Audit Director;
- a summary of key recent and future regulatory changes.

Pursuant to Article L. 823-16 of the Commercial Code, the Statutory Auditors presented to the Supervisory Board their general work programme as well as the various surveys they carried out; the changes that they felt should be made to the financial statements or other accounting documents before their

approval, along with any relevant comments about the valuation methods used in their preparation; possible irregularities and errors discovered and the findings resulting from the above observations and corrections on the results of the period compared with those of the previous period.

In addition, every year the Statutory Auditors communicate to the Audit Committee a declaration of independence and an update of the information described in Article L. 820-3 detailing the services provided by the members of the network to which the Statutory Auditors are affiliated, as well as services carried out outside the scope of the certification of the financial statements.

In accordance with the obligation arising from the reform of the audit, the rules for the approval by the Audit Committee of the services provided by the auditors have been formally set out in a procedure. The total cost of these services is reported in note 14 to the consolidated financial statements. Furthermore, the Statutory Auditors and the Audit Committee had a number of discussions about the supplementary report prepared for the Audit Committee by the Statutory Auditors.

With regard to the work methods: a minimum time period for the examination of the financial statements was complied with to enable the Audit Committee to avail of the option of using external experts, as well as interviewing the Chief Financial Officer, the Statutory Auditors and the Internal Audit Officer.

The Chairman of the Audit Committee reports to the Supervisory Board on the work carried out by the Audit Committee and its findings during the Supervisory Board meetings called to approve the half-year and annual financial statements.

Minutes of each Audit Committee meeting are provided to the Supervisory Board so that it is aware of matters discussed.

Remuneration Committee

The Remuneration Committee currently comprises two members: Michel Rollier, Committee Chairman (independent member) and Victor Despature. Its mission is to submit proposals to the Supervisory Board, in particular in respect of the amount of and calculation methods for corporate officers' remuneration, including findings on the variable remuneration for the year just ended and proposals to be issued for the coming financial year, and to issue an opinion concerning the amount of attendance fees. Upon its request, external persons who are not members may attend Committee meetings.

At least once a year, the Committee calls on a firm specialised in the subject of senior executive remuneration, which provides advice on the practices that are generally applied in companies of a comparable size.

During the year just ended, it met three times. The attendance rate by the members was 100%.

The Remuneration Committee is called upon to consider the succession of management resulting from the R14 recommendation of the Middledex Code; such consideration took place at its meeting of 5 March 2018. This item will be discussed again in 2019.

The members of the Remuneration Committee report verbally to the Supervisory Board on their work and on the opinions they have issued, thus helping the Board to prepare and make decisions in terms of corporate officers' remuneration.

CONDITIONS OF SHAREHOLDERS' PARTICIPATION IN GENERAL MEETINGS

The bylaws allow for the following arrangements:

- all shareholders have a right to attend General Meetings and participate in their deliberations, in a personal capacity or by proxy;
- they may vote remotely. If the Management Board or Supervisory Board provides for this at the time of notice of the meeting, all shareholders may also participate in General Meetings by video-conference or by any communication means that enable their identification according to the terms and conditions set out by the law and regulations and that are specified in the notice of the meeting; the shareholder will, in this case, be deemed to be present for the calculation of quorum and majority;
- the right to participate in General Meetings is contingent upon the shareholder providing proof of their identity and the registration of the securities in their name (or in the name of the intermediary recorded on their behalf if they reside abroad) at midnight Paris time on the second working day preceding the Meeting, either in a nominative account or in the records of bearer shares held by an authorised intermediary;
- the attendance in person of the shareholder cancels all proxy or remote voting.

INFORMATION ON TERMS OF OFFICE AND DUTIES

TERMS OF OFFICE AND DUTIES OF MEMBERS OF THE MANAGEMENT BOARD

- **Jean Guillaume DESPATURE**
Chairman of the Management Board
 - Chairman of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
 - Chairman of the Remuneration Committee and member of the Audit Committee of Damartex SA (company listed on Euronext Growth),
 - Chairman of the Board of Directors of Financière Développement Suisse SA,
 - Chairman of the Somfy Foundation (in the position of Permanent Representative of the Founder – Somfy Activités SA) and Les Petites Pierres endowment fund,
 - Director of TTMD SA (a Group company) and Acacia SA,
 - Director of DSG Coordination Center SA (a Group company) and Edify, Grand-Saconnex branch,
 - Manager of FIDEP and CMC (a Group company),
 - Chairman of the Board of Directors of BFT SpA (a Group company),
 - Chairman of Somfy Protect by Myfox (a Group company).
- **Pierre RIBEIRO**
Member of the Management Board – Chief Financial Officer
 - Director of Asian Capital International Limited, Sino Global International Holdings Limited, Sino Link Trading Limited and Promofi BV,
 - Director and Vice-Chairman of Somfy Activités SA,
 - Permanent Representative of Somfy Activités SA, Managing company of Somfybat,
 - Member of the Board of Directors of BFT SpA,
 - Chairman and Director of TTMD SA,
 - Director of DSG Coordination Center SA.

The above terms of office are exercised within unlisted Group companies, unless otherwise indicated.

TERMS OF OFFICE AND DUTIES OF MEMBERS OF THE SUPERVISORY BOARD

- **Paule CELLARD**
Independent Member of the Supervisory Board
 - Member of the Audit Committee of Somfy SA,
 - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
 - Chair of the Audit Committee of Damartex SA (company listed on Euronext Growth),
 - Member of the Remuneration Committee of Damartex SA (company listed on Euronext Growth),
 - Member of the Board of Directors of INDOSUEZ Wealth Management Europe,
 - Chair of the Audit Committee and of the Risk Management and Internal Control Committee of INDOSUEZ Wealth Management Europe,
 - Member of the Board of Directors of HSBC France,
 - Chair of the Audit and Risk Management Committees of HSBC France.
- **Victor DESPATURE**
Vice-Chairman of the Supervisory Board
 - Chairman of the Audit Committee of Somfy SA,
 - Member of the Remuneration Committee of Somfy SA,
 - Chairman of the Supervisory Board of MCSA SA,
 - Manager of SARL MCSA-Tunis and SC Vicma, Devin-VD and Le Maréchal,
 - Director of Edify SA (company listed on the Euro-MTF market of the Luxembourg stock exchange).
- **Michel ROLLIER**
Chairman of the Supervisory Board – Independent member
 - Chairman of the Remuneration Committee of Somfy SA,
 - Chairman of the Supervisory Board of Michelin (company listed on Euronext),
 - Member of the Remuneration and Appointments Committee of Michelin (company listed on Euronext),
 - Chairman of the Board of Directors of Siparex Associés,
 - Chairman of the Association Nationale des Sociétés par Actions (ANSA),
 - Chairman of Haut Comité de Gouvernement d'Entreprise.
- **Anthony STAHL**
Member of the Supervisory Board
 - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
 - Chairman of the Management Committee of FIDEP.
- **Marie BAVAREL-DESPATURE**
Member of the Supervisory Board
 - Member of the Supervisory Board of Damartex SA (company listed on Euronext Growth),
 - Manager of FIDEP.
- **Sophie DESORMIÈRE**
Independent Member of the Supervisory Board
 - Member of the Board of Directors of Genterm,
 - Chief Executive Officer of AALPS Capital.
- **Florence NOBLOT**
Independent Member of the Supervisory Board
 - Member of the Supervisory Board of Elis,
 - Chair of the Nomination and Remuneration Committees of Elis

Apart from the terms of office and duties performed by the members of the Supervisory Board within Somfy SA, all the other terms of office and duties are performed outside the Group.

REGULATED AGREEMENTS

Please note that no regulated agreement concluded and authorised during previous financial years and with continuing effect during the financial year just ended is to be reported, and that no new agreements of the same nature as those referred to in Articles L. 225-86 and subsequent of the Commercial Code were concluded during the 2018 financial year.

FINANCIAL AUTHORISATIONS

The Management Board benefits from the following authorisations:

	Date of AGM	Date authorisation expires	Authorised amount	Used during the financial year ended 31 December 2018	Residual amount at 31 December 2018
Authorisation to issue stock options	Extraordinary General Meeting 16 May 2018	15 July 2021	1.5% of share capital on date of AGM Charged to the allocation of free shares	Nil	1.5% of share capital on date of AGM
Authorisation to grant existing free shares	Extraordinary General Meeting 24 May 2016	23 July 2019	1.5% of share capital on date of AGM Charged to the allocation of SOs*	**	1.1158% of share capital on date of AGM

* Stock options.

** Free allocation of 5,239 shares, representing 0.014% of the share capital, decided by the Management Board on 12 November 2018.

It is further specified that the Management Board has a share buyback authorisation, granted by the Shareholders' Meeting of 16 May 2018 in its 11th ordinary resolution, details of which are set out in the section on the buyback of own shares in the Management Board's management report, and an authorisation to cancel shares purchased by the company, granted by the General Meeting of 16 May 2018 in its 12th extraordinary resolution. This latter authorisation covers a maximum of 10% of the share capital and is valid until 15 May 2020. It was not used during the 2018 financial year.

The Management Board does not benefit from any delegation of authority or powers granted by the General Meeting in respect of increases in capital in relation to Articles L. 225-129-1 and L. 225-129-2 of the Commercial Code.

INFORMATION ON REMUNERATION

REMUNERATION POLICY

APPROVAL OF THE PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS PAYABLE TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS (SEE RESOLUTIONS 9 AND 10)

In the context of determining the total remuneration of executive corporate officers, the Supervisory Board, acting on a proposal from the Remuneration Committee, has taken the following principles into account in keeping with recommendation R13 of the Middelnext Code of Corporate Governance of September 2016:

- **completeness:** determination of remuneration received by executive corporate officers must be complete: fixed components, variable components (bonus), stock options, free shares, attendance fees, pension terms and special benefits must be taken into account in the overall level of assessment of remuneration;
- **balance between the elements of the remuneration:** each remuneration component must be substantiated and correspond to the company's general interest;
- **benchmark:** the remuneration must be assessed, insofar as possible, within the context of a business sector and the benchmark market, and be proportionate to the company's situation, while paying due attention to its inflationary effects;

AGREEMENTS CONCLUDED BETWEEN A CORPORATE OFFICER OR SHAREHOLDER HOLDING MORE THAN 10% OF VOTING RIGHTS AND A SUBSIDIARY (EXCLUDING CURRENT AGREEMENTS)

—
Nil.

- **consistency:** executive corporate officers' remuneration must be determined in a manner consistent with that of other officers and employees in the company;
- **clarity of the rules:** the rules must be simple and transparent; the performance criteria used to determine the variable part of remuneration, or, where applicable, the allocation of options or free shares, must be linked to the company's performance and correspond to its goals, be demanding, accountable and to the greatest extent possible, sustainable. They should be detailed without calling into question the confidentiality that may be justified for certain elements;
- **reasonableness:** the method determining the remuneration and allocation of options or free shares must be balanced and take into account at the same time the company's general interest, market practices and officer performance;
- **transparency:** shareholders' annual information on the total remuneration and benefits received by officers is conducted in accordance with applicable regulations.

PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAYABLE TO THE MEMBERS OF THE MANAGEMENT BOARD

These principles and criteria established by the Board, based on recommendations of the Remuneration Committee are as follows:

Fixed remuneration

It is determined in accordance with market practice, and regularly benchmarked by a recognised and renowned expert from a firm specialising in executive remuneration. It is set upon appointment and changes with moderation every year during the term of office. It is reviewed and benchmarked again with each appointment renewal. As of 2017, it includes the payment of a premium in favour of Management Board members, introduced following the removal of the previous "Article 39" additional pension scheme.

Annual variable remuneration

Annual variable remuneration is capped at a maximum of the annual fixed remuneration. For the Chairman of the Management Board, this cap is a maximum of 99% of the fixed amount, *i.e.* 84% of the quantitative variable on financial criteria, and 15% of the qualitative variable on non-financial criteria. This cap is a maximum of 75% of the fixed amount for other Management Board members, *i.e.* 60% of the quantitative variable on financial criteria, and 15% of the qualitative variable on non-financial criteria.

The criteria for determining annual variable remuneration are as follows:

- the quantitative criteria based on financial items are profit growth, measured by the average growth in COR (Current Operating Result) over two years; the growth in profitability of capital used, measured by the average level of ROCE (Return On Capital Employed) over two years; and lastly, business development, measured by sales growth and by its differential with the sales growth of a range of benchmarks consisting of nine companies deemed to be comparable.
- The expected level of achievement for the quantitative criteria has been predefined by the Supervisory Board further to a proposal by the Remuneration Committee. The expected level of achievement for the quantitative criteria has not been publicly disclosed for reasons of confidentiality;
- the qualitative criteria were predefined by the Supervisory Board further to a proposal by the Remuneration Committee. They are weighted by the Remuneration Committee's assessment of the personal and managerial involvement of the Management Board member concerned. The expected level of achievement of qualitative criteria has not been publicly disclosed for reasons of confidentiality.

Long Term Remuneration

The members of the Management Board, as well as the Chairman, are beneficiaries of free allocations of performance shares under the same conditions, and subject to the same performance criteria as for allocations granted to the Group's executives and senior executives. The criteria used are usually based on the level of Current Operating Result and the development of sales growth. 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 150% of annual fixed remuneration.

Other benefits

Management Board members and the Chairman each have their own company car which they may use privately.

Exceptional remuneration

The Supervisory Board may decide, further to a proposal of the Remuneration Committee and under very special circumstances, to grant exceptional remuneration to Management Board members or the Chairman. Such a payment may notably be made in the event of a major transaction for the company, or if there is exceptional outperformance which is not taken into account in the criteria determining the variable remuneration for the financial year.

The payment of variable, and possibly exceptional, remuneration elements allocated in relation to financial year N to each member of the Management Board is subject in year N+1 to approval by the Ordinary General Meeting of the remuneration elements paid or allocated in relation to financial year N.

OTHER COMMITMENTS TO MANAGEMENT BOARD MEMBERS

Termination benefit

There is no such commitment concerning Management Board members or the Chairman.

Pension

- Members of the Management Board are beneficiaries of the mandatory group pension schemes applicable to executives and senior executives of Group companies.
- For the Chairman of the Management Board who is not territorially eligible for French pension plans, the applicable scheme is the mandatory group scheme applicable to senior executives for companies based in the Swiss Confederation.
- There is no pension scheme with defined benefits covered by Article L.137-11 of the French Social Security Code (supplementary pension plan), for the benefit of Management Board members or the Chairman.
- Like Group executives, the members and the Chairman of the Management Board benefit, when they retire, from a retirement bonus (*Indemnité de Fin de Carrière*, or IFC) as provided for by the National Collective Bargaining Agreement for Executives and Engineers in the Metalwork Industry (IDCC 650).

Provident fund

The members of the Management Board and the Chairman are beneficiaries of the group provident fund scheme (death & disability insurance) which applies to the Group's senior executives.

Unless they justify personal insurance coverage elsewhere, they are also affiliated to the "Mutual Health Insurance" scheme which is mandatory for Group employees.

Non-competition clause

There is no such commitment concerning Management Board members or the Chairman.

REMINDER OF THE AGREEMENTS CONCLUDED WITH OTHER GROUP COMPANIES**Employment contract**

It should be noted that members of the Management Board benefit from an employment contract concluded with Somfy SA's subsidiaries and maintained following their appointment to the Board.

PRINCIPLES AND CRITERIA FOR THE DETERMINATION, APPORTIONMENT AND ALLOCATION OF THE ELEMENTS THAT COMPRISE THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAYABLE TO THE MEMBERS OF THE SUPERVISORY BOARD

The principles and criteria established by the Board, based on recommendations of the Remuneration Committee are as follows:

Fixed remuneration

- The General Meeting sets the overall amount of attendance fees for all Board members. The Supervisory Board apportions attendance fees among its members in proportion to the attendance of each member at Board meetings and Audit Committee and Remuneration Committee meetings.

- The Chairman of the Supervisory Board receives specific remuneration in relation to his duties as Chairman. This remuneration is fixed and changes upon each new renewal of appointment, or when the Board finds that there is a permanent change to the Chairman's workload.
- The Supervisory Board reserves the right to allocate specific remuneration to one of its members in order to reward specific services other than participation in the Supervisory Board's routine work.

Variable remuneration

No member of the Supervisory Board receives variable remuneration based on performance criteria.

Other benefits

The members and Chairman of the Supervisory Board do not receive any other remuneration or benefits in addition to the remuneration mentioned above, which qualifies as attendance fees.

We invite you to approve the principles and criteria set out above by voting the 9th and 10th resolutions.

INFORMATION ON REMUNERATION DUE, PAID OR ALLOCATED DURING THE FINANCIAL YEAR**REMUNERATION RECEIVED BY MANAGEMENT BOARD MEMBERS FROM SOMFY SA AND SUBSIDIARIES UNDER ITS CONTROL**

It should be noted that members of the Management Board benefit from an employment contract concluded with Somfy SA's subsidiaries prior to their appointment to the Board. It has become necessary to the company that, in order to attract and retain talent, members of the Management Board must be able to continue to enjoy the protection guaranteed by an employment contract. As a result, the employment contracts of the members of the Management Board that predated their respective terms of office have been maintained.

Summary table of benefits of corporate officers

	Employment contract		Defined benefit pension plans	
	yes	no	yes	no
Executive corporate officers				
Name: Jean Guillaume DESPATURE Position: Chairman of the Management Board Start of term of office: 17/05/17 End of term of office: 2021 AGM	✓			✗
Name: Pierre RIBEIRO Position: Member of the Management Board Start of term of office: 17/05/17 End of term of office: 2021 AGM	✓			✗

**Jean Guillaume DESPATURE
Chairman of the Management Board**

In accordance with the principles and criteria approved by the General Meeting of 16 May 2018, remuneration comprises a fixed portion, a variable portion, long-term remuneration and other benefits detailed below.

The fixed portion consists of the basic fixed remuneration and also includes the payment of a PER (*Prime Équivalent Retraite* - Pension Equivalent Premium) premium in favour of Management Board members, introduced following the removal of the previous "Article 39" supplementary pension scheme.

Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee. It is based on the achievement of objectives that take account of quantitative financial and qualitative criteria. For the part based on quantitative criteria (referred to as "financial" criteria), the criteria used are profit growth, measured by the average growth in Current Operating Result over two years; the growth in profitability of capital used, measured by the average level of ROCE (Return On Capital Employed) over two years; and lastly, business development, measured by sales growth and by its differential with the sales growth of a range of benchmarks consisting of nine companies deemed to be comparable. For the part based on qualitative criteria (referred to as "non-financial" criteria), the

criteria used in relation to 2018 concern the improvement of quality within the company, the improvement of cost leadership, and strategic thinking on connected solutions. These non-financial criteria are weighted by a coefficient representing the Supervisory Board's assessment, upon proposal by the Remuneration Committee, of the personal and managerial involvement of the Management Board member concerned. For confidentiality reasons, the expected level of achievement of quantitative criteria, as well as the qualitative criteria, which are predetermined by the Supervisory Board, are not publicly disclosed.

Benefits in kind consist of the use of a company car.

As regards long-term remuneration, 300 performance shares allocated by Somfy to Jean Guillaume Despature vested on 30 June 2018 under the performance share allocation plan n°2, details of which are set out below under "Performance-based options and shares allocated and exercised during the financial year".

In respect of his employment contract, which predates his appointment to the Management Board, Jean Guillaume Despature is also a beneficiary of the defined contribution pension plan of the company DSG Coordination Center SA, which applies equally to senior executives and employee managers. This is the second mandatory pillar for companies based in the Swiss Confederation. The company's commitment is limited to the amount of contributions paid during the financial year.

Details of total remuneration due or paid during the financial year just ended are included in the summary table (page 59).

Pierre RIBEIRO

Member of the Management Board – Chief Financial Officer

In accordance with the principles and criteria approved by the General Meeting of 16 May 2018, remuneration comprises a fixed portion, a variable portion, long-term remuneration, exceptional remuneration and other benefits detailed below.

The fixed portion consists of the basic fixed remuneration and also includes the payment of a PER (*Prime Équivalent Retraite* - Pension Equivalent Premium) premium in favour of Management Board members, introduced following the removal of the previous "Article 39" supplementary pension scheme.

Variable remuneration is determined by the Supervisory Board on the recommendation of the Remuneration Committee. It is based on the achievement of objectives that take account of quantitative financial and qualitative criteria. For the part based on quantitative criteria (referred to as "financial" criteria), the criteria used are profit growth, measured by the average growth in Current Operating Result over two years; the growth in profitability of capital used, measured by the average level of ROCE (Return On Capital Employed) over two years; and lastly, business development, measured by sales growth and by its differential with the sales growth of a range of benchmarks consisting of nine companies deemed to be comparable. For the part based on qualitative criteria (referred to as "non-financial" criteria), the criteria used in relation to 2018 concern the improvement of quality within the company, the improvement of cost leadership, and strategic thinking on connected solutions. These non-financial criteria are weighted by a coefficient representing the Supervisory Board's assessment, upon proposal by the Remuneration Committee, of the personal and managerial involvement of the Management Board member concerned. For confidentiality reasons, the expected level of achievement of quantitative criteria, as well as the qualitative criteria, which are predetermined by the Supervisory Board, are not publicly disclosed.

Upon proposal of the Remuneration Committee, the Supervisory Board allocated exceptional remuneration of €25,000 to Pierre Ribeiro due to work of great significance completed during the financial year just ended.

Benefits in kind consist of the use of a company car.

In respect of his employment contract, which predates his appointment to the Management Board, Pierre Ribeiro is eligible for incentive bonus, profit sharing and employer contributions from CMC.

He is also a beneficiary of the defined contribution pension plan of the company CMC (Article 83), which applies equally to senior executives and employee managers. The company's commitment is limited to the amount of contributions paid during the financial year.

Details of total remuneration due or paid during the financial year just ended are included in the summary table (page 60).

SUMMARY TABLE OF REMUNERATION DUE OR PAID IN 2018 TO MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD (including remuneration paid by the company and companies under its control)

Jean Guillaume DESPATURE, Chairman of the Management Board	2018		2017		2016	
	due	paid	due	paid	due	paid
Gross, €						
Basic fixed remuneration	600,000	600,000	490,000	490,000	480,000	480,000
Fixed remuneration – pension equivalent premium	106,507	106,507	82,309	82,309	–	–
Exceptional remuneration	–	–	–	–	–	10,000*
Annual variable remuneration	484,000	330,000	330,000	320,000	320,000	200,000
Incentive bonus, profit sharing, employer contributions	–	–	–	–	–	–
LTI premium	–	–	–	–	–	14,925
Benefits in kind	3,685	3,685	3,828	3,828	3,907	3,907
TOTAL	1,194,192	1,040,192	906,137	896,137	803,907	708,832

* Back pay paid in 2016 in respect of 2015.

In addition, 300 performance shares vested on 30 June 2018, valued at €24,000.

Pierre RIBEIRO, Member of the Management Board	2018		2017		2016	
	due	paid	due	paid	due	paid
Gross, €						
Basic fixed remuneration	360,000	360,000	340,000	340,000	330,000	330,000
Fixed remuneration – pension equivalent premium	73,387	73,387	67,270	67,270	–	–
Exceptional remuneration	25,000	–	–	–	–	–
Annual variable remuneration	218,000	173,000	173,000	220,000	220,000	200,000
Incentive bonus, profit sharing, employer contributions	54,150	53,463	54,870	52,711	51,408	46,407
LTI premium	–	–	–	–	–	23,085
Benefits in kind	6,730	6,730	6,730	6,730	7,150	7,150
TOTAL	737,267	666,580	641,870	686,710	608,558	606,643

Members of the Supervisory Board	Amounts paid during the 2018 financial year		Amounts paid during the 2017 financial year		Amounts paid during the 2016 financial year	
	due	paid	due	paid	due	paid
Gross, €						
Michel ROLLIER						
Attendance fees	5,400	5,400	3,600	3,600	3,600	3,600
Attendance fees as Chairman of the Supervisory Board	90,625	90,625	75,000	75,000	75,000	75,000
Paule CELLARD						
Attendance fees	14,400	14,400	12,800	12,800	14,400	14,400
Victor DESPATURE						
Attendance fees	17,800	17,800	16,200	16,200	18,000	18,000
Anthony STAHL*						
Attendance fees	–	–	–	–	–	–
Florence NOBLOT						
Attendance fees	4,800	4,800	3,200	3,200	–	–
Sophie DESORMIERE						
Attendance fees	8,000	8,000	4,800	4,800	–	–
Marie BAVAREL-DESPATURE						
Attendance fees	8,000	8,000	4,800	4,800	–	–
Bernard HOURS						
Attendance fees	–	–	22,500	22,500	60,000	60,000
Jean DESPATURE						
Attendance fees	–	–	1,600	1,600	6,400	6,400
Valérie PILCER						
Attendance fees	–	–	5,600	5,600	14,400	14,400
TOTAL	149,025	149,025	150,100	150,100	191,800	191,800

* No longer wishes to receive attendance fees for this term of office.

No remuneration was paid by the controlling entity.

PERFORMANCE-BASED OPTIONS AND SHARES ALLOCATED AND EXERCISED DURING THE FINANCIAL YEAR

During the financial year, no new options were allocated to members of the Management Board and no member exercised any options. Similarly, no new performance shares were allocated to members of the Management Board.

For information, 300 performance shares allocated by Somfy to Jean Guillaume Despature vested on 30 June 2018 under the performance share allocation plan n°2. This plan was introduced on 21 February 2014, and Jean Guillaume Despature received these performance shares in respect of his employment contract.

APPROVAL OF FIXED, VARIABLE AND EXCEPTIONAL ITEMS COMPRISING TOTAL REMUNERATION AND BENEFITS OF ANY KIND PAID OR ALLOCATED DURING THE YEAR JUST ENDED, IN APPLICATION OF THE PRINCIPLES AND CRITERIA APPROVED BY THE GENERAL MEETING OF 16 MAY 2018 (RESOLUTIONS 6, 7 AND 8)

The items of remuneration paid or allocated for 2018 in application of the principles and criteria approved by the General Meeting of 16 May 2018 presented hereafter are submitted for your approval pursuant to article 225–100 Paragraph 2 of the Commercial Code.

Resolution 6:

Jean Guillaume Despature, Chairman of the Management Board

The total remuneration paid or allocated for the 2018 financial year consists of:

- the fixed remuneration paid in 2018, comprising gross basic remuneration of €600,000, and the Pension Equivalent Premium amounting to €106,507 gross;
- the variable remuneration allocated for the 2018 financial year totalling €484,000 gross, and to be paid in 2019 after the General Meeting has been held and subject to approval by the latter;
- a benefit in kind consisting of the use of a company car with a book value of €3,685.

It should also be noted that Jean Guillaume Despature benefits from a defined contribution pension commitment (no amount subject to retrospective voting).

Resolution 7:

Pierre Ribeiro, member of the Management Board

The total remuneration paid or allocated for the 2018 financial year consists of:

- the fixed remuneration paid in 2018, comprising gross basic remuneration of €360,000, and the Pension Equivalent Premium amounting to €73,387 gross;
- the variable remuneration allocated for the 2018 financial year totalling €218,000 gross, and to be paid in 2019 after the General Meeting has been held and subject to approval by the latter;
- the exceptional remuneration allocated for the 2018 financial year totalling €25,000 gross, to be paid in 2019 after the General Meeting has been held and subject to approval by the latter;
- a benefit in kind consisting of the use of a company car with a book value of €6,730;
- an employee savings plan related to the employment contract (profit sharing, incentive bonus, employer contributions) amounting to €54,150 due in respect of the 2018 financial year and to be paid in 2019.

It should also be noted that Pierre Ribeiro benefits from a defined contribution pension commitment (no amount subject to retrospective voting).

Resolution 8:

Michel Rollier, Chairman of the Supervisory Board

Remuneration for the 2018 financial year consists of remuneration paid in his capacity as Chairman of the Supervisory Board for a

gross amount of €90,625 and attendance fees for his participation in specialised committees for a gross amount of €5,400.

Regarding the remuneration of the corporate officers, shareholders will therefore be asked at the next General Meeting to:

- approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board, as presented in the above paragraph;
- approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Michel RIBEIRO, Chief Financial Officer and member of the Management Board, as presented in the above paragraph;
- approve the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated for the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board, as presented in the above paragraph;
- approve the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member of the Management Board, presented in the section “Remuneration policy” above;
- approve the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to the members of the Supervisory Board, presented in the section “Remuneration policy” above.

INFORMATION ON THE TERMS AND CONDITIONS FOR THE RETENTION OF SHARES ALLOCATED FREE OF CHARGE TO EXECUTIVE CORPORATE OFFICERS

At its meeting of 13 May 2009, the Supervisory Board set the number of shares that every member of the Management Board is required to retain in nominative form until the termination of their term of office: resulting in every member being required to retain 25% of the total shares allocated free of charge, this percentage being reduced to 20% at the end of four years from the allocation, then successively to 15% at the end of six years from the allocation, to 10% at the end of eight years from the allocation and to 5% until termination of their terms of office.

INFORMATION ON ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

Under existing regulations and to the company knowledge, the following may have an impact in the event of a public offering:

- the capital structure and all known direct or indirect holdings in Somfy SA and all relevant information is described under “Information on the distribution of capital and holdings” in the Management Board’s management report;
- there are no bylaw restrictions to the exercise of voting rights or agreements providing for preferential transfer or acquisition of shares, excepting those described in the section “Action in concert and retention agreements” of the Management Board’s management report;
- there are no securities carrying special voting rights, aside from the existence of double voting rights enjoyed by fully paid shares registered under the same named shareholder for at least four years (see excerpt from Article 29 of the bylaws in the Management Board’s management report);
- voting rights attached to Somfy SA shares held by personnel through FCPE Somfy (Somfy Investment Fund Scheme) are exercised by a representative appointed by the Supervisory Board of the FCPE to represent it at the Annual General Meeting;
- commitments signed between shareholders that could lead to restrictions on the transfer of shares and exercise of voting rights have been referred to in the “Action in concert and retention agreements” section of the Management Board’s management report;
- rules governing the appointment and replacement of Management Board members and any bylaw amendments are respectively provided for in Articles 15 and 31 of the bylaws reproduced below:

BYLAW PROVISIONS RELATING TO THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE MANAGEMENT BOARD (ARTICLE 15)

—
“The Management Board is composed of a minimum of two and a maximum of five members who are private persons and may or may not be shareholders.

In accordance with the law, the Supervisory Board will appoint Management Board members, determine their number, appoint one of them as Chairman of the Management Board and determine their remuneration. Management Board members are appointed for a term of four years which will cease at the end of the General Meeting called to approve the financial statements for the year then ended and held during the year in which their term expires.

No person aged over 70 may be appointed to the Management Board. Upon reaching this age, members of the Management Board are deemed to have resigned at the Supervisory Board’s next meeting.

The Supervisory Board is authorised to assign the powers of the Chairman of the Management Board, as conferred by law, to one or more members of the Management Board who carry the title of Chief Executive Officer.

Management Board members can be re-elected.

In case of a vacancy, a replacement shall be appointed for the time remaining until re-election of the Management Board.

If a Management Board member seat is vacant, the Supervisory Board must change the number of seats it had previously set or fill the vacancy within a two-month time frame so that the number of Management Board members does not fall below the minimum required by the bylaws. Otherwise, any interested party may ask the President of the Commercial Court, acting in chambers, to make this temporary appointment. The person thus appointed may, at any time, be replaced by the Supervisory Board.

Management Board members or the single Chief Executive Officer may only be dismissed by the Annual General Meeting or by the Supervisory Board. If dismissal is decided without just cause, it may give rise to damages. In the case where an individual holds an employment contract with the company, the revocation of his/her functions purely as a Management Board member or single Chief Executive Officer will not terminate this contract.”

BYLAW PROVISIONS RELATING TO BYLAW AMENDMENTS (EXCERPT OF ARTICLE 31)

—
“The Extraordinary General Meeting alone is authorised to amend any bylaw provisions, it being specified that it can delegate to the Supervisory Board authority to align the bylaws with applicable legal and regulatory provisions, in accordance with Article L. 225-65 of the Commercial Code. Nevertheless, it cannot increase shareholders’ liabilities with the exception of transactions resulting from an exchange or regrouping of shares properly decided and executed.

(...)

It requires a two-thirds majority of votes of present or represented shareholders, including shareholders who voted by mail”;

- concerning powers, the Management Board has no delegations except those described under the section “Financial authorisations” of this report;
- agreements concluded by the company that may be altered or terminated upon a change of control of the company are as follows: contracts signed between Somfy SA and credit institutions concerning credit facilities granted require the latter to inform the said banks of all projects related to a significant change in its shareholding, notably those resulting in a transfer of control to a new company;
- there are no particular agreements providing for benefits to be paid upon termination of the term of office of Management Board members or employees, if they resign or are dismissed without fair or serious cause or if their employment is terminated as a result of a public offering.

OBSERVATIONS OF THE SUPERVISORY BOARD ON THE MANAGEMENT BOARD'S MANAGEMENT REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR JUST ENDED

Ladies and Gentlemen,

The Management Board has convened this Combined General Meeting to submit the financial statements for the year just ended for your approval.

Pursuant to Article L. 225-68 of the Commercial Code, the Management Board has kept us periodically informed on company transactions through the presentation of quarterly reports.

For verification and control purposes, the Management Board has also submitted to us the parent company and consolidated financial statements at 31 December 2018, which you are requested to approve today.

The Management Board has also provided us with its report, which has just been presented to you.

We hereby submit to you our observations on these financial statements and on this report pursuant to the provisions of the above-mentioned Article L. 225-68.

This report fairly reflects information that was regularly provided to us during the financial year just ended.

Group sales were €1,126.7 million over the year just ended, an increase of 3.4% after the restatement resulting from the change in the consolidation method of Dooya and 5.2% on a like-for-like basis.

This performance was achieved after strong growth in the previous financial year. It reflects both the strong performance of historical markets, such as Benelux, France, the United Kingdom and Scandinavia, and the momentum of new markets, such as India, Hungary, Poland, the Czech Republic and Russia.

The sales of the now equity-accounted Dooya totalled €178.0 million, an increase of 9.4% in real terms and 12.0% on a like-for-like basis.

The current operating result for the financial year stood at €177.8 million, up 1.8% based on a like-for-like consolidation method, equating to 15.8% of sales in spite of adverse foreign exchange effects costing €10.6 million. It would have totalled €189.1 million, up 8.2% and equating to 16.5% of sales on a like-for-like basis.

This 50-basis point increase in the current operating margin on a like-for-like basis was the result of business growth and an improvement in the gross profit margin driven by healthy sales prices, and higher raw materials costs offset by productivity gains.

At the same time, overheads increased due to continued investment in research and development and participation in major industry events (the CES trade show in Las Vegas and R+T in Stuttgart).

Net profit fell 11.0% to €140.4 million. It takes into account a significant negative balance of non-recurring operating expenses and income, primarily due to costs associated with the termination of a project in China, and an automatic increase in the income tax charge given the tax reliefs of €22.3 million recorded over the previous financial year.

Restated for the above-mentioned items, net profit stood at €148.1 million, an increase of 9.2%.

Ultimately, the return on capital employed held firm at the very healthy level of 20.4%.

The balance sheet remained very strong, with equity that increased to €894.4 million.

The net financial surplus totalled €222.4 million, an increase of €117.8 million, including €42.1 million in respect of the change in Dooya's consolidation method.

The Management Board will propose the payment of a dividend of € 1.4 per share at the Annual General Meeting, an increase of 7.7% compared with the dividend paid last year.

The report of the Management Board also provides all information required by existing regulations.

Furthermore, you will be asked to authorise the Management Board to:

- implement a new treasury share buy-back programme;
- allocate existing shares free of charge to employees and/or certain corporate officers of the company or related companies.

You will also, in particular, be asked to vote on:

- the renewal of the term of office of a member of the Supervisory Board;
- the approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Jean Guillaume DESPATURE, Chairman of the Management Board;
- the approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Pierre RIBEIRO, Chief Financial Officer and member of the Management Board;
- the approval of the fixed, variable and exceptional items comprising the total remuneration and benefits of any kind paid or allocated in respect of the financial year just ended to Michel ROLLIER, Chairman of the Supervisory Board;
- the approval of the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to the Chairman of the Management Board and the member(s) of the Management Board;
- the approval of the principles and criteria used to determine, apportion and allocate the various fixed, variable and exceptional items of remuneration comprising total remuneration and benefits of any kind attributable to other members of the Supervisory Board.

Draft resolutions, in line with the agenda, will be submitted for your approval.

We have no specific comments to make regarding the various documents that have been submitted to you (in particular the Management Board's management report), or in relation to the parent company and consolidated financial statements for the 2018 financial year. Therefore, we ask you to adopt the proposed resolutions.

The Board is keen to point out that 2018 was another year of progress, with satisfactory business development and growth in current operating profitability (excluding the impact of exchange rates), highlighting the robustness of the Group's business model and strategy.

The Supervisory Board

