



**BOARD OF DIRECTORS' REPORT  
TO THE COMBINED GENERAL MEETING OF JUNE 5, 2018  
ON THE DRAFT RESOLUTIONS**

To the Shareholders,

We have convened a Combined General Meeting to report to you on the activities of Recylex S.A. (hereinafter, the “**Company**”) and its subsidiaries during the year from January 1, 2017 through to December 31, 2017, and to submit for your approval the parent company and consolidated financial statements for that period.

We have also convened this meeting to request that you approve:

- the reappointment and the ratification of the co-option of certain directors
- the remuneration paid or awarded in respect of FY 2017 to Yves Roche and Sebastian Rudow
- the principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer
- the appointment of one of the Company’s Statutory Auditors and the reappointment of one of the Company’s Statutory Auditors
- authorization for the Board of Directors to buy or transfer shares of Recylex S.A. under a share buyback program implemented by the Company
- authorization for the Board of Directors to reduce the Company’s share capital by canceling shares, and
- authorization for the Board of Directors to allot the Company’s shares free of charge

You have been informed of the business activities of the Company and its subsidiaries during the year that ended on December 31, 2017 and since the beginning of the current year in our management report, which was sent to you in accordance with the law.

The purpose of this report is to present you with the draft resolutions you are being asked to approve.

**MATTERS CONCERNING THE ORDINARY GENERAL MEETING**

**I. APPROVAL OF THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS (FIRST, SECOND AND THIRD RESOLUTIONS)**

The Board of Directors requests that the General Meeting approve the parent company and consolidated financial statements for the year ended December 31, 2017, as drawn up by the Board of Directors, and requests that the General Meeting, given the FY 2017 net income of €6,493,991.45, (i) transfer €68,494.94 to the statutory reserve to increase it to €943,517.83 (10% of the share capital), (ii) record, given the negative retained earnings of €493,311.63, that the amount of profit available for distribution in respect of FY 2017 stands at €5,932,184.88, and (iii) appropriate the entire amount of the profit available for distribution, that is €5,932,184.88, to the retained earnings account, which would show a credit balance of €5,932,184.88 after appropriation.

In accordance with the provisions of law, the Board of Directors requests that the General Meeting approve the amount of costs and expenses covered by Article 39-4 of the General Taxation Code, which are not deductible from income for tax purposes and which amounted to €25,140 for the year ended December 31, 2017.

No dividend has been paid for the past three years.

**II. APPROVAL OF THE RELATED PARTY AGREEMENTS REFERRED TO IN ARTICLE L. 225-38 ET SEQ. OF THE COMMERCIAL CODE (FOURTH RESOLUTION)**

The Board of Directors requests that the General Meeting note the conclusions of the special report of the Statutory Auditors on the related party agreements referred to in Articles L. 225-38 *et seq.* of the Commercial Code, and approve the agreements mentioned therein.

In accordance with Article L. 225-40 of the Commercial Code, it is hereby noted that the related parties concerned must abstain from voting on this resolution.

**III. REAPPOINTMENT AS A DIRECTOR OF JEAN-PIERRE THOMAS (FIFTH RESOLUTION)**

The Board of Directors requests that the General Meeting reappoint as a director Jean-Pierre Thomas for a term in office of three (3) years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2020.

**IV. RATIFICATION OF THE CO-OPTION OF SEBASTIAN RUDOW AS A DIRECTOR (SIXTH RESOLUTION)**

The Board of Directors requests that the General Meeting ratify the co-option by the Board of Directors at its meeting on November 30, 2017 of Sebastian Rudow as a director replacing Yves Roche.

Sebastian Rudow, a German national born in 1980, holds a degree in law from the University of Mannheim (Germany) and a master's degree from the University of Heidelberg (Germany).

Before joining Recylex, he held a Partner position at Wellensiek, since November 2014, where he was focused on advising directors, shareholders and boards in special corporate situations.

During the past ten years, in addition to his consulting activities, he held directorship positions across various industries.

Sebastian Rudow is the Company's Chairman and Chief Executive Officer.

Sebastian Rudow owns 200 of the Company's shares.

**V. APPROVAL OF THE REMUNERATION PAID OR AWARDED IN RESPECT OF FY 2017 TO YVES ROCHE AND SEBASTIAN RUDOW (SEVENTH AND EIGHTH RESOLUTION) (RETROSPECTIVE VOTE)**

The Board of Directors asks the General Meeting to approve the fixed, variable and exceptional components of the total remuneration and benefits of any kind paid or awarded in respect of FY 2017 to Yves Roche, Chairman and Chief Executive Officer until November 30, 2017, and Sebastian Rudow, Chairman and Chief Executive Officer since November 30, 2017, in accordance with Article L. 225-100 of the Commercial Code.

Full details of the remuneration paid or awarded in respect of FY 2017 to Yves Roche and Sebastian Rudow are provided in section 2.9 of the Company's management report, presented together with this report to the General Meeting entitled "Corporate governance disclosures" as required in Article L. 225-37 of the Commercial Code.

Pursuant to Article L. 225-37-2 of the Commercial Code, it is hereby stated that payment of the aforementioned variable and exceptional components of remuneration is contingent, for both the individuals concerned, upon your approval of the remuneration components in respect of the year ended on December 31, 2017, as provided for in Article L. 225-100 of the Commercial Code.

**VI. APPROVAL OF THE PRINCIPLES AND CRITERIA FOR THE DETERMINATION, ALLOCATION AND AWARD OF THE FIXED, VARIABLE AND EXCEPTIONAL COMPONENTS OF THE TOTAL REMUNERATION AND BENEFITS OF ANY KIND ATTRIBUTABLE IN RESPECT OF FY 2018 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (NINTH RESOLUTION) (VOTE IN ADVANCE)**

The Board of Directors requests that the General Meeting approve the principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer, in accordance with Article L. 225-37-2 of the Commercial Code.

These principles and criteria for the determination, allocation and award of the fixed, variable and exceptional components of the total remuneration and benefits of any kind attributable in respect of FY 2018 to the Chairman and Chief Executive Officer are shown in detail in section 2.9 of the Company's management report, presented together with this report to the General Meeting entitled "corporate governance disclosures" as required in Article L. 225-37 of the Commercial Code.

For more details concerning the free shares that may be allotted to the Chairman and Chief Executive Officer, we kindly request that you refer to the comment hereinafter concerning the authorization you are being asked to give to the Board of Directors for the purpose of allotting the Company's shares free of charge (Fourteenth Resolution).

Pursuant to Article L. 225-37-2 of the Commercial Code, it is hereby stated that payment to the Chairman and Chief Executive Officer of the aforementioned variable and exceptional components of remuneration is contingent upon the approval by a subsequent Ordinary General Meeting of the remuneration components concerning him as provided for in Article L. 225-100 of the Commercial Code (that is approval by the General Meeting due to be convened in 2019 of the variable and exceptional components of total remuneration paid or due to be paid to him in respect of the year ending on December 31, 2018).

**VII. APPOINTMENT OF ONE OF THE COMPANY'S STATUTORY AUDITOR AND REAPPOINTMENT OF ONE OF THE COMPANY'S STATUTORY AUDITORS (TENTH AND ELEVENTH RESOLUTIONS)**

The appointments of the principal Statutory Auditors, namely KPMG Audit ID and Deloitte & Associés, expire at the close of the General Meeting.

The Board of Directors requests that the General Meeting (i) appoint KPMG S.A. as principal Statutory Auditor (in replacement of KPMG Audit ID whose mandate would not be renewed) and (ii) reappoint Deloitte & Associés as principal Statutory Auditor for a term in office of six (6) years until the close of the General Meeting convened to approve the financial statements for the year ending on December 31, 2023.

In accordance with Article L. 225-228 of the Commercial Code, these proposals and the related draft resolutions were passed at a meeting of the Board of Directors on April 13, 2018 without Sebastian Rudow, Chairman and Chief Executive Officer and also a director of the Company, taking part in the vote.

The appointment of KPMG S.A. and the reappointment of Deloitte & Associés were recommended by the Company's Audit Committee.

The appointments as alternate Statutory Auditors of KPMG Audit Nord and BEAS also expire at the close of the General Meeting. Insofar as the appointment of alternate Statutory Auditors is no longer mandatory following the entry into force of law no. 2016-1691 of December 9, 2016 where the principal Statutory Auditors are multi-person companies, the General Meeting is not asked to reappoint KPMG Audit Nord and BEAS as alternate Statutory Auditors.

## VIII. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO BUY OR TRANSFER RECYLEX SA SHARES (TWELFTH RESOLUTION)

The Board of Directors requests that the General Meeting authorize the Board of Directors to purchase or to arrange for the purchase of the Company's shares in accordance with Articles L. 225-209 *et seq.* of the Commercial Code under the conditions defined hereinafter and subject to an upper limit of 10% of the Company's share capital at the date of said General Meeting:

- the maximum purchase price should not be any higher than €10 per share, it being stipulated that in the event of any capital transactions, involving capitalization of reserves and free share allotments, and/or stock splits or consolidation of shares, the price would be adjusted accordingly
- the maximum amount of the funds committed to the share repurchase program would stand at €5,000,000
- this authorization would be valid for a period of eighteen (18) months effective from the date of the General Meeting
- the acquisitions by the Company pursuant to this authorization may not in any circumstances lead it to hold, directly or indirectly, at any time, over 10% of the shares making up the share capital at the date under consideration
- such shares may be acquired or transferred, in any way, namely on the market or in a private transaction, by block purchases or sales, via derivatives traded on a regulated market or in a private transaction provided that such transactions are carried out according to the rules and regulations in force at the time of the relevant transactions, and at such times as the Board of Directors or their delegated representative decide, except during periods of public offers for the Company's shares.

These share purchases may be made for any purpose permitted in law, with the objectives of this share repurchase program being to:

- to establish and fulfill obligations with respect to stock option plans or other plans to allocate shares to employees and corporate officers of the Company or other affiliated companies, including to allot shares to employees and corporate officers of the Recylex Group, under (i) a corporate profit sharing plan and (ii) any plan involving stock purchases, options or free share allotments (including any stock transfer under Article L. 3332-24 of the French Labor Code) offered to some or all employees or corporate officers, and to carry out any hedging transactions in connection therewith
- to reduce the Company's share capital by canceling shares, as set out in the Thirteenth Resolution submitted for approval to this Shareholders' Meeting, subject to said approval
- to provide liquidity for the Company's shares through an investment services provider by way of a liquidity contract drafted according to the Compliance Charter recognized by the Autorité des Marchés Financiers
- to hold shares in reserve for future exchanges or payment in connection with any corporate acquisitions
- to establish and fulfill obligations with respect to debt instruments convertible into equity securities and to remit the Company's shares pursuant to the exercise of any rights attaching to securities giving immediate or future access to shares, and to carry out any hedging transactions in respect of any of the Company's obligations in connection with such securities

Pursuant to this authorization, you are asked to grant all necessary powers to the Board of Directors, which may be delegated, to decide and implement this authorization, to stipulate, where appropriate, the terms and conditions and determine the arrangements, to place any stock market orders, enter into any agreements, prepare any documents, including for informational purposes, make allocations, and where appropriate reallocate shares acquired for the various intended purposes, perform any formalities and make any declarations to any authorities, and, generally, take whatever action is required.

## **MATTERS CONCERNING THE EXTRAORDINARY GENERAL MEETING**

### **IX. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL BY CANCELING SHARES (THIRTEENTH RESOLUTION)**

Pursuant to Article L. 225-209 of the Commercial Code, the Board of Directors requests the delegation of all necessary powers to it to cancel, on one or more occasions, some or all of the Recylex S.A. shares acquired under the share repurchase programs authorized pursuant to the Thirteenth Resolution submitted for your approval at this General Meeting and those acquired under a share repurchase program authorized previously or subsequently to the date of this General Meeting.

Pursuant to the law, only up to 10% of the Company's share capital may be canceled in any 24-month period.

The amount by which the purchase cost of the shares exceeds their par value would be set recognized in the Share premiums account or any other available reserves, including the statutory reserve, subject to a maximum of 10% of the reduction in capital for the latter.

Pursuant to this authorization, you are asked to give the Board of Directors all necessary powers, which may be delegated pursuant to the statutory requirements, to carry out the reduction in capital resulting from the cancellation of shares, to determine the arrangements for it, to duly note its completion, carry out the aforementioned offset, amend the Articles of Association accordingly, complete all the requisite formalities and, generally, take whatever action is required to implement this authorization.

This authorization would be granted for a period of 24 months.

### **X. AUTHORIZATION FOR THE BOARD OF DIRECTORS TO ALLOT THE COMPANY'S SHARES FREE OF CHARGE (FOURTEENTH RESOLUTION)**

The Board of Directors requests that, in accordance with Article L. 225-197-1 *et seq.* of the Commercial Code, the General Meeting authorize the Board of Directors, which may delegate this authority as provided for in law, to carry out, on one or more occasions and as it deems fit, subject to the restrictions laid down in this authorization, new or existing shares in the Company free of charge, as provided for below.

The allottees should be employees or corporate officers of the Company or of other French or non-French companies or groupings affiliated with it as defined in Article L 225-197-2 of the Commercial Code or of certain categories of such companies

The total number of shares that may be allotted free of charge under this authorization may not amount to more than 3% of the Company's share capital.

The shares allotted free of charge to the Company's Chairman and Chief Executive Officer may not account for more than 1% of the Company's share capital at the date of this General Meeting.

The Board of Directors would determine the vesting period, which may be no shorter than one year and, where appropriate, the holding period, it being specified that the overall duration of the vesting and holding periods may be no shorter than two years.

The shares may be awarded definitively prior to the end of the vesting period should the allottee suffer a disability meeting the conditions laid down in law.

The existing shares that may be awarded pursuant to this authorization would have to be acquired by the Company, either pursuant to Article L. 225-208 of the Commercial Code or, as appropriate, under the share repurchase program authorized pursuant to the twelfth Resolution, provided that resolution is adopted by the

General Meeting, pursuant to Article L. 225-209 of the Commercial Code or any other share repurchase program applicable previously or subsequently.

This authorization would entail the waiver by shareholders of: (i) their preferential subscription right to the shares to be issued as and when the shares vest definitively, (ii) any rights to the shares to be allotted free of charge on the basis of this authorization, and (iii) any right to the amount of reserves and premiums against which the issue of the new shares will be set off, where appropriate.

You will be asked to grant full powers to the Board of Directors, which may be delegated as provided for in law, to implement this authorization, within the restrictions laid down above, for the purpose of:

- setting the terms and conditions and, where appropriate, the criteria for allotment of the shares
- setting, as provided for in law and subject to the statutory restrictions, the dates on which the free share allotments would be made
- deciding the date from which the newly issued shares shall carry dividend rights, even retrospectively
- determining the identity of the allottees, the number of shares to be awarded to each of them, the arrangements for allotment of the shares and in particular the vesting and, where appropriate, holding periods applicable to the shares to be awarded free of charge
- deciding to carry out one or more increases in the Company's share capital resulting from the allotments of free shares to be issued by the Company
- adjust, as appropriate, the number of shares to be allotted should transactions affecting the Company's share capital or equity lead to a change in the value of the shares making up the share capital in order to protect the rights of the allottees of the shares awarded free of charge
- carrying out the publication and filing formalities associated with the increase(s) in the Company's share capital resulting from allotments free of charge of shares to be issued by the Company pursuant to this resolution and to amend the Articles of Association accordingly, and
- more generally, to enter into any agreements, draft any documents, complete any formalities and make any statements to any relevant bodies and to take whatever other action is required

This authorization would be granted for a period of thirty-eight (38) months.

The Board of Directors would be obliged to inform the General Meeting of the Shareholders every year of any allotments conducted pursuant to this authorization in accordance with Article L. 225-197-4 of the Commercial Code.

## **MATTERS CONCERNING THE ORDINARY AND EXTRAORDINARY GENERAL MEETINGS**

### **XI. POWERS TO COMPLETE THE FORMALITIES (FIFTEENTH RESOLUTION)**

Finally, you are asked to grant all necessary powers to the holder of an original, a copy or an excerpt of the minutes of this General Meeting to complete any legal and/or administrative formalities, to file any documents and to satisfy any publication requirements provided for by the legislation in force.

We trust that these proposals will meet with your approval, and accordingly ask you to vote in favor of the draft resolutions submitted to you.