VALLOUREC

A Limited Liability Company with a Board of Directors and Supervisory Board and a share capital of €271 376 864

Registered office at 27 avenue du Général Leclerc – 92100 Boulogne-Billancourt registered at the Nanterre Companies and Business Registry under number 552 142 200

Commitments under Article L.225-90-1 of the Commercial Code relating to Messrs. Philippe Crouzet, Jean-Pierre Michel and Olivier Mallet, members of the Vallourec Management Board

Boulogne-Billancourt, 22 February 2016

The Supervisory Board at its meeting on 17 February 2016 examined the mechanisms linked to the termination of duties of Messrs Philippe Crouzet, Jean-Pierre Michel and Olivier Mallet, members of the Management Board, following renewal of their appointments.

Upon recommendation by the Appointments, Remuneration and Governance Committee (ARGC), the Board decided to renew the principles of Mr Philippe Crouzet's monetary compensation and non-competition obligation.

Upon recommendation by the ARGC, the Board also decided to renew the mechanisms linked to the termination of duties of Messrs. Jean-Pierre Michel and Olivier Mallet.

Upon recommendation by the ARGC, the Board authorised an overall retirement pension scheme to be set up in replacement of the defined-benefits pension scheme.

In compliance with Articles L225-86 *et seq* and Article L.225-90-1 of the Commercial Code the mechanisms linked to the termination of duties of Messrs Philippe Crouzet, Jean-Pierre Michel and Olivier Mallet, are to be submitted for approval by the General Meeting of shareholders to be held on 6 April 2016.

1. Mechanisms linked to the termination of duties of Mr Philippe Crouzet, Chairman of the Management Board.

- Termination package of Mr Philippe Crouzet.

In compliance with the recommendations of the AMF, the Financial Markets Authority, and with the AFEP-MEDEF Code, termination package shall only be due in the event of a forced termination, linked to a change in control or strategy. No compensation shall be due if it is possible for Mr. Philippe Crouzet to invoke his retirement rights within a short period of time.

The termination package amount shall be limited to twice the average gross annual fixed and variable monetary compensation due for the two fiscal years preceding the date of departure (hereinafter the “Maximum Payment”).

The payment shall be calculated based on fixed monetary compensation, due for the fiscal year preceding the date of departure, plus the target variable monetary compensation set for the same fiscal year (the “Reference Compensation”) and may not, under any circumstance, exceed the Maximum Payment.

Its amount shall depend on the fulfilment of three performance criteria set out in Annexe.

- Non compete obligation to be assumed by Mr Philippe Crouzet.

Given the expertise in the steel sector that Mr. Philippe Crouzet has gained since his entry into office on 2 April 2009, the Supervisory Board wanted to enable the Group to protect its know-how and activities by subjecting Mr. Philippe Crouzet to a conditional non-compete obligation in the event that he ends up leaving the Group.

The Supervisory Board, at its full discretion, may decide, at the time of Mr. Philippe Crouzet's departure, to prohibit him, for a period of 18 months following the termination of his duties as Chairman of Vallourec's Management Board, regardless of the reason, from collaborating in any way whatsoever with a company or group of companies that participates in the steel sector, with no territorial restriction.

Should this obligation be implemented by the Board, it would result in a compensation to Mr. Philippe Crouzet of a non-compete compensation equal to 12 months of gross fixed and variable monetary compensation, which is calculated based on the average of the gross fixed and variable annual monetary compensation that has been paid during the two fiscal years preceding the date of departure.

This amount shall be paid in equal monthly installments throughout the entire term of application of the non-compete clause.

The total compensation due under the non-compete obligation, along with an termination package, if such an payment was to be paid, may not under any circumstance exceed twice the average gross fixed and variable annual monetary compensation due for the two fiscal years preceding Mr. Philippe Crouzet's date of departure.

2. Mechanisms linked to the termination of duties of Messrs Jean-Pierre Michel and Olivier Mallet

The Supervisory Board at its meeting dated 17 February 2016 decided to renew the principles of the departure mechanisms for Messrs Jean-Pierre Michel and Olivier Mallet, members of the Management Board and holders of an employment contract with Vallourec Tubes, which was suspended during their terms of office.

After having (i) acknowledged Mr. Jean-Pierre Michel and Mr. Olivier Mallet's waiver of the contractual termination payments which were provided for in their respective employment contracts, which were entered into with Vallourec Tubes, and likely to be due to them in the event of a breach of their employment contracts, and after then (ii) stating that Mr. Jean-Pierre Michel and Mr. Olivier Mallet, under their employment contracts, are automatically by law beneficiaries of the Collective Agreement for Metallurgy Managers, Executives and Engineers (the "**Collective Agreement**") which is mandatory for Vallourec to apply, the Board made the following decisions:

Mr. Jean-Pierre Michel

Based on his seniority in the Vallourec Group (37 years), Mr. Jean-Pierre Michel is entitled, in application of the Collective Agreement, to termination pay in an amount that is equal, as at 31 December 2015, to 18 months' fixed and variable compensation in the event his employment contract is breached for a reason other than serious misconduct, i.e. a theoretical amount of €818 thousand.[1]

[1] In conformity with the provisions of the Collective Agreement, this theoretical amount was determined on the basis:

- of Mr. Jean-Pierre Michel's seniority, which was acquired from the date he assumed office, by virtue of the current employment contract, without excluding the suspension periods of this contract, or since 1 September 1978;

Mr. Olivier Mallet

Based on his seniority in the Vallourec Group (7.5 years), Mr. Olivier Mallet is entitled, in application of the Collective Agreement, to a termination payment in an amount that is equal, as at 31 December 2015, to 1.7 month's fixed and variable compensation in the event his employment contract is breached for a reason other than serious misconduct, or a theoretical amount of €61 thousand. [2]

Given this situation, the Supervisory Board decided that Mr. Olivier Mallet could further benefit from a termination package, in the event of a forced termination that was linked to a change in control or strategy. This package shall not be due if Mr. Olivier Mallet has the possibility of invoking his retirement rights within a short period of time.

The amount of termination package shall be limited to twice the average annual gross fixed and variable monetary compensation due for the two fiscal years preceding the date of departure of Mr. Olivier Mallet (hereinafter the "Maximum Package").

The payment shall be calculated based on Mr. Olivier Mallet's fixed monetary compensation, due for the fiscal year preceding the date of departure, plus the target variable monetary compensation set for the same fiscal year (the "Reference Compensation") and may not, under any circumstance, exceed the Maximum Package.

Its amount shall depend on the fulfilment of three performance criteria set out in Annexe.

3. Additional retirement pension arrangements for Messrs Philippe Crouzet, Jean-Pierre Michel and Olivier Mallet

The Supervisory Board, upon recommendation by the ARGC, approved the closure of the additional defined benefits pension scheme in force and the setting up of a new scheme enabling the creation of a pension scheme whilst protecting the company's financial interests by defining performance conditions.

The Supervisory Board therefore authorised the Board of Directors to institute an overall additional retirement pension scheme comprising the three following parts, subject to regulated agreements provisions set out in Articles L225-86 *et seq* and Article L.225-90-1 of the Commercial Code:

- of the current payment rate (1/5 of a month per year of seniority for the segment with 1 to 7 years' seniority, and 3/5 of a month per year of seniority for the segment with over 7 years' seniority), with the result being limited to a value of 18 months' pay;
- of the monthly average appointments as well as the contractual benefits and bonuses from which Mr. Jean-Pierre Michel would have benefited, during the last 12 months in application of his employment contract; and
- of a target annual fixed and variable compensation of €546 thousand under the employment contract.

[2] In conformity with the provisions of the Collective Agreement, this theoretical amount was determined on the basis:

- of Mr. Olivier Mallet's seniority, which was acquired from the date he assumed office, by virtue of the current employment contract, without excluding the suspension periods of this contract, or since July 2008;
- of the current payment rate (1/5 of a month per year of seniority for the segment with 1 to 7 years' seniority, and 3/5 of a month per year of seniority for the segment with over 7 years' seniority), with the result being limited to a value of 18 months' pay;
- of the monthly average appointments as well as the contractual benefits and bonuses, from which Mr. Olivier Mallet would have benefited during the last 12 months; and
- of a target annual fixed and variable compensation of €431 thousand under the employment contract.

> **Closing the defined-benefits scheme**

The Supervisory Board authorised the members of the Board of Directors to receive the benefit, as with the 35 other executives fulfilling the conditions of eligibility, of the defined benefits pension scheme under the provisions of closing regulations under the terms of which no new potential right is created under the closed scheme and the beneficiaries are only able to benefit from past "crystallised" rights where they obtain calculation of their rights under their Social Security pension.

> **Joint a compulsory collective defined-contributions pension scheme**

The Supervisory Board authorised the members of the Board of Directors to benefit from a new compulsory collective defined-contributions retirement pension scheme for all employees fulfilling eligibility conditions[3]. Contributions under the scheme would be set at 12% of remuneration included between 5 and 8 social security ceilings. Benefit of rights under the scheme could only take place upon calculation of rights of the Social Security pension.

The company's financial commitment is strictly limited in total and in time as it may close the scheme at any time.

> **Individual pension scheme subject to performance criteria**

The Supervisory Board has authorised members of the Board of Directors to benefit, as for other executives fulfilling eligibility conditions, from new individual defined contribution retirement pension for which, within the spirit of the Macron law, the Supervisory Board has decided to set performance conditions.[4]

For these performance conditions, the Board has decided to calculate the effective rate of contribution based on the rate of annual bonus: the maximum contribution to be payable for the year in the event of the allocation of an annual bonus calculated at 50% of target; no contribution would be paid in the event of an annual bonus calculated at zero; the contribution would vary in a linear way between 0% and 50%.

The company contribution is to be equal to a percentage of the gross remuneration, enabling, once the employment contributions have been deducted and financed Income Tax generated by this contribution, to finance the contribution. Benefit of rights under the scheme could only take place upon calculation of rights under the Social Security pension.

It is here emphasised that the company may end this scheme at any time such that it does not constitute a deferred commitment.

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Eligible employees are employees of Vallourec and, subject to completion of legal arrangements, Vallourec Tubes; eligible employees are those whose annual remuneration exceeds four ceilings of the Social Security (in 2016: 4 x €38 616) or potentially 50 Group executives including the three members of the Board of Directors.

[4] Eligible employees are employees of Vallourec and Vallourec Tubes whose seniority in the group is at least three years and whose remuneration exceeds eight ceilings of the Social Security or potentially eight executive directors including three members of the Board of Directors.

ANNEXE

Performance conditions for the termination package of Messrs Philippe Crouzet and Olivier Mallet

The amount of the termination package shall depend on the fulfilment of three performance criteria, assessed over the last three financial years preceding the date of departure (the "Reference Period")

Satisfaction of each of the performance criteria shall be determined by assigning a grade that is within the limits of 0 and 30 points.

> The first performance condition "C1" shall be based on EBITDA rate, expressed as a percentage of sales for each fiscal year within the Reference Period. C1 shall vary linearly within 30 points, for a maximum set by the Supervisory Board, further to the opinion of the Appointments, Compensation and Governance Committee, in reference to the EBITDA rates achieved during the last three fiscal years, and shall be at least equal to the average of these rates; and 0 point for a minimum that is at most equal to the maximum, less 6 points, of EBITDA.

> The second performance condition "C2" shall be based on a comparison of EBITDA for each of the fiscal years in the Reference Period with the EBITDA forecast in the budget for those same fiscal years, as established by the Management Board and approved by the Supervisory Board. C2 shall vary linearly between 0, for EBITDA less than 25% of the EBITDA budgeted, and 30 points for EBITDA greater than 12.5% of the EBITDA budgeted. The budgetary objective is set each year by the Supervisory Board, further to the opinion of the Appointments, Compensation and Governance Committee, upon review of the budget presented by the Management Board and reviewed in advance by the Finance and Audit Committee.

> The third performance condition "C3" shall be based on the percentage of the variable portion of the monetary compensation due to Mr. Philippe Crouzet for each of the fiscal years of the Reference Period, in relation to the target variable portion for the fiscal year considered. C3 shall vary linearly between 0 and 30 points (limited to 30) according to the percentage of the variable portion calculated in relation to the target variable portion.

In the event that the total of C1, C2 and C3 (hereinafter the "PC") that on average less than 40 during the Reference Period, no payment shall be due. For an average PC that is equal to 40 or 50, the payment shall be equal to 15 or 18 months' salary respectively (1/12 of the Reference Compensation), up to the Maximum Package. The payment shall reach its maximum, i.e. 24 months, within the limit of the Maximum Package, for an average PC that is greater or equal to 80 on average. It shall vary linearly between each of the thresholds: 40, 50 and 80.

If the PC for the last fiscal year of the Reference Period is equal to 0, no payment shall be due.

Vallourec shall provide each year, retrospectively, the actual CP rates for each of the financial years in the Reference Period. For each of the 2013, 2014 and 2015 financial years, CPs were, respectively:

- For Mr. Philippe Crouzet : 67 ; 64 ; 25
- For Mr. Olivier Mallet : 69 ; 67 ; 23

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