ANNOUNCEMENT BY THE SECRETARIAT

OF THE ENGIE EUROPEAN WORKS COUNCIL

Paris, 27 October 2021

FOREWORD

On 23 June 2021, the ENGIE European Works Council issued a unanimously negative opinion on the largest reorganisation project affecting the ENGIE Group since the merger of Gaz de France and Suez.

The creation of EQUANS, with the declared intention to withdraw from all multiservices activities, is another element of the ENGIE Group's asset divestment policy to finance investment and dividends. The European Works Council expressed its concerns over the social risks and the short and medium-term consequences for the 75,000 employees affected all around the World by an exit from the ENGIE Group. In economic terms and given the positive growth outlook, the European Works Council considers that retaining EQUANS within the ENGIE Group would be more coherent. It would ensure our activities remain complementary with a unique, comprehensive service offering throughout the energy transition.

In parallel and in anticipation of the announced divestment process, the European Works Council has issued a series of requirements for industrial and social commitments to the future candidates to the acquisition of EQUANS, for information about their positions on each topic. The aim is to be able to examine the candidate proposals, draw their attention to the expectations of EQUANS employees - notably in Europe -, secure guarantees on the commitments taken through an agreement between labour partners and the acquiring party, independently of the sale agreement with ENGIE.

On 8 September 2021, the members of the European Works Council Secretariat reminded ENGIE Group management that the European Works Council felt entitled to play a full, determining role in the candidate application process. Group management was requested to allow and facilitate the transfer of candidate information to members of the European Works Council, enabling their examination of the scope of the projects presented by each candidate, and to measure the impact on employees.

On 30 September 2021, an exceptional arrangement was proposed, enabling the secretariat of the European Works Council to meet and interview the candidates to the full or partial acquisition of EQUANS. It was agreed that only the secretariat, with the support of its expert advisers, could draw up a report summarising the submitted applications.

The summary document is produced for the President and membership of the European Works Council for their comprehensive information. It comprises two separate documents to provide a comparative assessment of the "Candidate responses to requirements for social guarantees", a document listing the precise responses of the candidates to each request made by the European Works Council on 23 June 2021, and the "Summary report on candidates to the acquisition of EQUANS". This will enable a fully objective examination of candidate proposals.

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This announcement of the European Works Council Secretariat proposes a commented comparative approach to examining the main key points following the interviews and delivery of further written responses from each candidate.

1/ Candidate interviews

Candidate interviews hosted by the secretariat of the European Works Council, supported by expert consultants SECAFI, enabled discussions on the industrial, social, and financial aspects of candidate projects. These auditions also enabled the identification of risks inherent to each project and the inadequacies of the proposals at this stage of the process.

2/ Expected trajectory of EQUANS in the coming years

Expected profitability is high. Pressure on teams to deliver results will be extensive, which is a reason for concern for employees, as are their work conditions and social guarantees, whatever the actual new owner. Work methods will change, developments to the work environment will occur. It is far from being a "simple takeover".

The higher the sale price, the more difficult it will be to secure a return, which could generate negative consequences for employment and working conditions. Hence the high vigilance of the secretariat of the European Works Council on social commitments.

3/ Principal components of proposals

The projects presented differ between the industrial candidates, Bouygues and Eiffage, and the investment fund Bain Capital.

The proposals submitted by the two French industrial groups, Eiffage and Bouygues, both state that their priority is to integrate EQUANS into their respective groups, intending to rectify profit margins, intensify their presence in Europe and expand their range of speciality services.

These two projects differ in their geographical ambitions, as Eiffage will focus on Europe and Bouygues will look further afield.

For Bain Capital, the project is earmarked as a growth-oriented project in Europe and above all in the USA. The aim is to turn EQUANS into a global leader. The priority objectives of this proposal are to rectify profit margins, strengthen EQUANS positions in Europe and secure rapid growth in the USA. This project features a much wider external growth component for EQUANS than those of the industrial candidates.

4/ Project risks

EQUANS represents a major acquisition, with immediate questions arising concerning:

- the business and financial model for the transaction
- the stability of current EQUANS scopes
- the sustainability of ownership over the medium / long term

whatever the acquiring party.

Both the Bouygues and Eiffage groups are already active in the same sectors as EQUANS. This situation creates two specific risks for EQUANS employees:

- The implementation of synergies resulting in the elimination of duplicate positions in organisations, notably support functions and regions where each player is already active.
- Examination by the competition authorities, which given the complexity of the operation, will require several months of investigation and throughout will generate concerns on the imposition to dispose of certain activities in areas where consolidating the market shares of two players in the same activity could be deemed excessive. Nonetheless, this risk is considered weak by the candidates and ENGIE.

Concerning the investment fund, the financial reasoning behind the operation and the floating of EQUANS within three to five years generate two notable risks:

- Long-term control of EQUANS by investors who have no grounding in France or Europe, therefore far remote from the interests of European employees, who are very much in the majority today.
- Maximising value creation for shareholders with too little distribution of the results of growth to employees.

5/ Expected improvements to firm proposals following interviews

- **<u>For all three candidates</u>**

  - **A significant improvement in commitments to the stability of the scope acquired, both in terms of time and "inalienable" revenue.** The current 90% threshold does not represent sufficient protection and as such enables the disposal of multiple legal entities across the European scope. The current terms of the applicable clause proposed by the candidates weaken the commitments made concerning forced departures, because it enables companies and activities to be sold off easily.

  - Precise, quantified commitments on sharing value creation with employees over the next five years whatever the mechanisms used (employee share ownership, unilateral matching contributions, free shares, profit-sharing, etc.). This is because all the candidates hope for the value to increase (whether the value of EQUANS, or that of their group). **We expect a commitment to redistribute 10% of the value generated to all EQUANS employees**. This sharing will represent an essential component in employee motivation and a powerful factor in the attractiveness of EQUANS during a period of tension over jobs.

  - The contractual definition of social guarantees in an agreement between the acquiring party and labour partners is required, so that the agreement can be legally enforceable. In concrete terms, all commitments made shall be formally defined (in all likelihood fully or partially in the SPA agreement) within a specific agreement so that the commitment are not only made between ENGIE and the acquiring party, but also between the new owner and the personnel representatives.

- **For the industrial group candidates:**

    - **Quantified projections of the synergies expected** during the merger of activities and the foreseeable impact on jobs in the countries affected.

- **For the investment fund:**

    - **The constitution of the capital of the future EQUANS with a central core of French institutional investors** and a significant place for public sector investors, to ensure the long-term stability of the capital and the grounding of EQUANS decision-making in France, given that ENGIE does not intend to retain a stake over the long term.
    - **Employee representation in the Board of Directors or Supervisory Board of the holding company** used for the acquisition as soon as closing is complete, to enable the participation of personnel representatives in Group governance structures alongside shareholder representatives.

Moreover, we note that the 5-year guarantees for jobs proposed by candidates are considerable improvements. Nonetheless, personnel representatives cannot accept differences in this commitment between European countries. For the European Works Council, this commitment must cover all European activities.

Conclusion

The secretariat of the ENGIE European Works Council maintains and confirms its opinion expressed at the European Works Council meeting of 23 June 2021 that **the sale of EQUANS is not the right option for the ENGIE Group with the disappearance of two thirds of the economically profitable Services activity and the loss of almost half its employees**. **Moreover, the sale presents inherent risks for EQUANS employees who, depending on the selected candidate, risk being victims of synergies, partial sell-offs, pressure on cost control, all factors with direct effects on jobs and employment policies.**

The choice to go ahead with the sale is all the more concerning for ENGIE, as the candidate interviews have revealed that high growth in expected over coming years in the activities that are being sold off.

However, despite these concerns and as the sale process is under way, the Secretariat of the European Works Council restates its role as a watchdog to protect the social guarantees for all employees. Its role is not to express a preference for any one candidate over the others but to remain a central figure to protect and advocate high-level social guarantees.

At this stage, the social guarantees proposed by the candidate are unequal.

The issue of the stability of the scope of EQUANS remains unequally addressed in the candidate proposals, all the more so as in the proposals of the industrial group candidates, the examination time by competition authorities will render the reality of the current commitments made by the candidates almost meaningless.

Therefore, the Secretariat of the European Works Council reiterates to the decision makers involved its priority requirement that the final level of social guarantees proposed and the binding commitment to implement these arrangements with labour partners must be essential considerations in the final choice of acquiring party.

Lastly, the Secretariat of the European Works Council also recalls its vigilance over the future ownership of EQUANS capital, as well as the French and European grounding of its capital. For the two industrial candidates, this point is obviously covered. For the investment fund, the ENGIE European Works Council has noted the solutions proposed to foster this grounding, solutions which require further clarification with notably, the involvement of a public sector investor.

The Secretariat invites the membership of the ENGIE European Works Council to remain vigilant on these points and to intervene whenever required in the ongoing process.