

**2020 EVALUATION OF THE CHIEF EXECUTIVE OFFICERS  
PROPOSITIONS FOR 2020 VARIABLE REMUNERATION**

**ALD BOARD OF DIRECTORS MEETING**

**FEBRUARY 9<sup>TH</sup> 2021**

## **2020 EVALUATION OF THE CHIEF EXECUTIVE OFFICERS PROPOSITIONS FOR 2020 VARIABLE REMUNERATION**

The 2020 performance evaluation of the Executive Directors of ALD SA (« ALD » or the « Company ») and the proposals for the 2020 annual variable remuneration set out hereafter were validated by the Board of Directors on February 9<sup>th</sup>, 2021.

The 2020 remuneration policy for the Executive Directors was validated by the Board of Directors meeting of March 27<sup>th</sup> 2020 and by the Annual General Shareholders Meeting of May 20<sup>th</sup> 2020 (ex ante vote).

### **Principles of the compensation policy**

The compensation policy is in line with the Company's corporate social interest through the use of qualitative performance indicators that are taken into account when determining the variable compensation of executives, in particular objectives for social and environmental responsibility (CSR) and managerial development.

It supports the commercial strategy through integration of performance indicators for Executive Directors linked to commercial objectives, customer satisfaction and the development of strategic partnerships.

Finally, it contributes to the sustainability of the Company by creating a direct link between the variable compensation of executives and the objectives to implement the long-term strategy of the ALD Group.

Accordingly, the compensation policy has defined terms and conditions for the deferred payment over a period of five years of the variable portion subject to presence and performance conditions. The purpose of this is to retain executives over the long term and take into account the Company's results over a period of five years following the end of the financial year. A minimum of 50% of variable compensation is paid in the form of ALD shares or share equivalents to enable an alignment of executive interests with the long-term interests of shareholders.

Finally, the malus and clawback mechanisms make it possible to take into account risk management and compliance over that five-year period.

The compensation policy for Executive Corporate Officers is defined by the Board of Directors of ALD on the recommendation of the Compensation Committee. Executive Corporate Officers do not participate in the discussions and deliberations of the Board and the Compensation Committee concerning their own compensation policy. Finally, the levels of "target" fixed and variable compensation take into account market practices based on studies carried out by an independent firm.

Finally, the Executive Corporate Officers are subject to an annual independent assessment by the Société Générale Group Risk and Compliance Departments. In the event of a negative assessment, their conclusions would be shared with the Board to be taken into account in their deliberations.

### **Compensation of Directors**

The policy governing the compensation of Independent Directors was approved by the Board of Directors on 7 February 2018, in accordance with the budget set by the Shareholders' Meeting of 20 April 2017. In accordance with the recommendations of the AFEP-MEDEF Code, this includes a fixed pro-rata component to reward the long-term commitment and responsibilities related to the Director's mandate, and a variable component, slightly more than the first, to reward Director attendance and participation in the various meetings of the Board of Directors and the Specialized Committees. In both cases, Chairpersons of Specialized Committees receive 50% more than Committee members because of the greater level of personal investment required.

### **Compensation of the Chairman**

Philippe HEIM was Chairman of the Board of Directors until August 27<sup>th</sup> 2020, after which date he was replaced by Diony LEBOT.

Philippe Heim and Diony Lebot do not receive any compensation for their function as Chairman of the Board of Directors of ALD but are directly compensated by Société Générale for their duties as Deputy Chief Executive Officers of Société Générale.

### **Remuneration of the Chief Executive Officers**

For 2020, the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officers is broken down into two components:

- fixed remuneration, which recognizes experience and responsibilities exercised and is determined taking into account market practices;
- annual variable remuneration, based on the performance for the financial year and the contribution of the Chief Executive Officer and the Deputy Chief Executive Officers to the success of ALD.

### Fixed remuneration

At the end of 2020, the annual fixed base salaries of the Chief Executive Officers are as follows:

- Tim ALBERTSEN, Chief Executive Officer : 400 000 euros ;
- Gilles BELLEMERE, Deputy Chief Executive Officer : 300 000 euros ;
- John SAFFRETT, Deputy Chief Executive Officer : 350 000 euros.

The mandate of Michael Masterson as Chief Executive Officer ended on March 27th 2020 as a result of his resignation. His annual fixed remuneration was 400 000 euros.

Each of these annual fixed remunerations were validated in the context of the ALD ex ante remuneration policy.

Tim Albertsen's fixed remuneration was increased due to his nomination to the position of Chief Executive Officer at the end of March 2020.

Gilles Bellemere and John Saffrett's supervisory perimeters and responsibilities were increased following the departure of Michael Masterson as the General Management body of the company moved from 4 to 3 Chief Executive Officers. As a result, their respective fixed remunerations were increased to take into account this increase in responsibilities.

In line with the governance in place in relation to remuneration decisions, these increases were decided by the Board of Directors based on the recommendations of the Compensation and Nominations Committee who took into account a market benchmark of remuneration practices in ALD's sector of activity, carried out by an independent firm.

### Variable compensation

#### Main principles

On 27 March 2020, the Board of Directors defined the components of variable compensation for 2020, which were approved by the Shareholders' Meeting on 20 May 2020. The annual variable compensation is evaluated through quantitative criteria for 60% and qualitative criteria for 40%.

If the performance objectives are exceeded, the quantitative component is capped at 130% of the share of variable compensation assessed according to the quantitative criteria. The qualitative component is capped at 100% of the share of the variable compensation assessed according to the qualitative criteria. In accordance with the CRD4 Directive, variable compensation may not exceed 200% of annual fixed compensation, even if the objectives are exceeded.

The table below indicates the approved target and maximum amounts of variable compensation for 2020 performance:

<i>(in EUR)</i>	<b>2020 target variable compensation</b>	<b><i>o/w</i> quantitative portion</b>	<b><i>o/w</i> qualitative portion</b>	<b>2020 maximum variable compensation</b>	<b><i>o/w</i> quantitative portion</b>	<b><i>o/w</i> qualitative portion</b>
Michael MASTERSON <sup>1</sup>	650 000	390 000	260 000	767 000	507 000	260 000
Tim ALBERTSEN <sup>2</sup>	550 000	330 000	220 000	649 000	429 000	220 000
Gilles BELLEMERE	250 000	150 000	100 000	295 000	195 000	100 000
John SAFFRETT	450 000	270 000	180 000	531 000	351 000	180 000

<sup>1</sup> Full-year target.

<sup>2</sup> Full-year target as Chief Executive Officer. In respect of his position as Deputy Chief Executive Officer, the variable compensation target is EUR 450,000.

### Quantitative portion

The quantitative portion (60%) is assessed on the basis of four indicators as follows:

- the annual growth of the fleet (2020 vs. 2019);
- the growth of the service and leasing contract margin;
- the Cost/Income ratio excluding used car sales; and
- the earnings per share (EPS).

For 2020, the achievement rate for the quantitative part is 46,43% (on a basis of 60, that is a 77,38% achievement rate on a basis of 100), detailed as follows :

<b>Indicators</b>	<b>Weighting</b>	<b>Achievement rate</b>
Annual growth of the fleet (2020 vs 2019)	10 %	7,68 %
Growth of the services margin and the leasing contract	10 %	7,00 %
Cost/income ratio excluding used car sales results	10 %	7,75 %
Earnings per share	30 %	24,00 %
<b>TOTAL</b>	<b>60 %</b>	<b>46,43 %</b>

The target amounts for these quantitative criteria were precisely established by the Compensation Committee and approved by the Board of Directors but are not being made public for reasons of confidentiality. The indicators/targets set do not include any factors considered to be exceptional by the Board of Directors. The Board of Directors notes the degree to which quantitative objectives have been achieved after the close of the financial year, using the published results as a basis. The Board of Directors is empowered to decide, on proposal of the Compensation Committee, the restatement of non-recurring exceptional and unbudgeted items not resulting from managerial decisions or operational management of activities.

### **Qualitative portion**

The qualitative portion (40%) is based on objectives set each year in advance by the Board of Directors for the coming financial year. Both collective and individual objectives were fixed for the Chief Executive Officers with an equivalent weighting. The criteria specifying how the achievement of each qualitative objective will be measured have been established by the Compensation Committee and approved by the Board of Directors. These criteria are not made public for reasons of confidentiality.

Given the scale of the coronavirus crisis, all collective and individual qualitative objectives were assessed in light of the operational management of this crisis and its consequences.

The objectives common to all Executive Corporate Officers are divided among the following themes:

- Operational efficiency, including targets related to the roll-out of programs to harmonize and automate tools group-wide;
- customer satisfaction through satisfaction surveys (Net Promotor Score), the deployment of programs dedicated to customer satisfaction and projects carried out in collaboration with customers;
- innovation, in particular through objectives linked to the digitization of customer tools and the implementation of new products and mobility solutions;
- the achievement of CSR objectives with, in particular, the rollout of the development program for electric and hybrid vehicles in the main countries;
- the implementation of the Group's strategy, in particular through the establishment and development of strategic partnerships;
- the quality of managing residual value risk and the management of used vehicles;
- compliance and the internal control system with the strengthening of controls, deployment and compliance with the Société Générale Group's Code of Conduct.
- employment conditions for Group employees by taking the results of the Employer Barometer into account.

The individual objectives of the Executive Corporate Officers include:

- managerial development with, in particular, quantified objectives designed to promote professional equality between women and men and the establishment and implementation of succession plans;
- the measurement of the success of the commercial strategy through several numerical indicators;
- investor relations management;
- the implementation of structures and strategic plans specific to their supervisory perimeters.

Based on the 2020 performance evaluation, the achievement rate for the qualitative portion is 40% (on a basis of 40, that is 100% on a basis of 100) for Tim ALBERTSEN, Gilles BELLEMERE and John SAFFRETT and is 20% (that is 50% on a basis of 100) for Michael MASTERSON.

### **Amounts in respect of 2020**

Based on the evaluation of the quantitative and qualitative performance indicators (global achievement rate of 86,43% for Tim ALBERTSEN, Gilles BELLEMERE and John SAFFRETT and 66,43% for Michael MASTERSON), the variable remuneration amounts are as follows:

- Michael Masterson : 36 573 euros (calculated prorata temporis for his effective period of presence in 2020);
- Tim Albertsen : 454 825 euros (of which 92 453 euros corresponding to the period as Deputy Chief Executive Officer and 362 372 euros for the period as Chief Executive Officer);
- Gilles Bellemere : 216 077 euros ;
- John Saffrett : 388 939 euros.

These amounts are subject to the final validation of the Annual General Shareholders Meeting on May 19<sup>th</sup>, 2021. No payment will be made prior to such validation.

### **Vesting procedure for global variable compensation**

In compliance with the CRD4 Directive, the Board of Directors defined the following vesting and payment conditions for the annual variable compensation:

- a deferred portion subject to a condition of presence in the Company and a performance condition, vesting in equal tranches of one-fifth over a five-year period with a minimum deferral rate of 40%;
- at least 50% is indexed to the ALD share price (share equivalents), resulting in 50% of the vested portion and a minimum of 50% of the unvested portion;
- additionally, the amount of the variable portion immediately granted in cash shall not exceed 30% of the total amount.

The deferred portion is vested subject to:

- a presence condition. The exceptions to the latter are retirement, death, disability with incapacity to perform one's functions or a decision of the Board of Directors based on the terms of departure;
- a malus condition in case of significant deterioration of financial performance or in case of misconduct;
- a profitability condition based on positive net result of ALD (arithmetic average) over the vesting period.
- The deferred portion is also subject to a clawback clause valid for five years, which can be activated in the event of acts or behaviour deemed excessive in terms of risk-taking, subject to applicability within the relevant legal and regulatory framework.

Payment of the last tranche of the deferred part at the end of five years is also conditional on the Return on Average earning assets excluding used car sales (RoAEA excluding used car sales). The full amount will only be paid if the RoAEA is above (arithmetic average) 2.3% during the vesting period. Below 1.8%, no amount is paid. If the RoAEA is between 1.8% and 2.3%, the Compensation Committee will propose a vesting percentage to the Board of Directors.

The Board of Directors is empowered to decide, on proposal of the Compensation Committee, the restatement of non-recurring exceptional and unbudgeted items not resulting from managerial decisions or operational management of activities.

Moreover, the Chief Executive Officer and the Deputy Chief Executive Officers are prohibited from hedging their shares or share equivalents throughout the vesting and holding periods.

### **Exceptional variable compensation**

It is not ALD's practice to grant exceptional variable compensation to its Executive Corporate Officers. Nevertheless, in view of new legislation requiring an ex ante vote on all the provisions of the compensation policy, the Board of Directors wanted to reserve the option of awarding, if necessary, additional variable compensation in the event of exceptional circumstances, such as their importance for the Company or the involvement they require and the difficulties they present.

This compensation would be explained and set in accordance with the general principles of the AFEP-MEDEF Code regarding compensation and the recommendations of the AMF. It would comply with the terms of payment of the annual variable portion and be subject to the same vesting conditions.

In any event, in accordance with the regulations in force, the variable component (annual variable compensation and, if any, exceptional variable compensation) may not exceed twice the annual fixed compensation.

No exceptional variable compensation will be awarded to the Chief Executive Officers for 2020.

### **Other benefits**

Each Executive Corporate Officer receives a company car as well as an insurance plan whose health and death and disability insurance coverage is in line with employee coverage.

The compensation policy provides, where applicable, for the assumption of certain costs when the assumption or performance of duties requires the Chief Executive Officers and their families to move to a different location. In particular, housing costs, moving costs and school fees for children whose enrolment in a school of the relevant nationality/language is justified may be covered. To that end, Michael Masterson, Tim Albertsen and John Saffrett receive housing benefits.

### **Achievement of performance conditions applicable to deferred variable remuneration**

The Board observed that the performance conditions applicable to the deferred variable remuneration installments to be paid in 2021 had been achieved.

In addition, based on the performance evaluations carried out by the Board, as well as the independent appraisals carried out by the Risk and Compliance divisions of Société Générale group, there was no cause to make use of the malus condition or the clawback clause.

Finally, with respect to the departure of Michael Masterson, the Board of Directors, considering the reason for the departure and the level of achievement of both quantitative and qualitative objectives since ALD's IPO, has decided to waive the presence condition necessary for the acquisition of deferred variable compensation related to 2020 and prior years, the other conditions remaining applicable.

### **Achievement of performance conditions for the acquisition of pension rights**

MM. Michael MASTERSON, Tim ALBERTSEN, Gilles BELLEMERE and John SAFFRETT continue to benefit from the following supplementary pension plans which were applicable to them as employees before the suspension of their employment contracts :

- supplementary pension plan for Societe Generale senior managers (this plan has been closed and no further pension right is awarded thereunder after December 31<sup>st</sup> 2019);
- Institution de Prévoyance Valmy Plan for Societe Generale employees.

In addition, Michael MASTERSON benefits since January 1st 2019 from a new supplementary pension plan implemented for the members of the Management Committee of Société Générale. Tim Albertsen and John Saffrett also benefit from this pension plan since their respective nominations to the Management Committee of Société Générale on February 10<sup>th</sup> 2020.

In accordance with the law, the annual accrual of additional pension rights is subject to the following performance condition: the additional pension rights for a given year are only acquired if at least 50% of the performance criteria used to calculate the beneficiary's variable remuneration have been met. For a performance below 50%, the accruals of pension rights for that year are cancelled.

As this performance condition has been met, the pension rights in respect of 2020 are acquired for Michael MASTERSON, Tim ALBERTSEN and John SAFFRETT.

The end of the Chief Executive Officer's mandate should have no impact on Michael MASTERSON's pension rights.

### **Post mandate compensation**

The mandate of M. Michael MASTERSON as Chief Executive Officer ended on March 27th 2020 as a result of his resignation. The Board of Directors meeting of March 27th examined the consequences of this resignation in terms of compensation and post-mandate benefits linking him to the Company. The Board of Directors decided not to grant severance pay to Michael MASTERSON as his resignation was not of a forced nature and was the result of a decision for personal reasons related to health problems. As such, Michael MASTERSON did not receive any severance payment with respect to the termination of his mandate. The Board of Directors considered that the non-compete clause (24 months of fixed remuneration) would be applicable. As such, Michael MASTERSON will receive 800 000 euros post mandate as a result of the non-compete clause.