

## **Compensation policy for the Chairman and Chief Executive Officer of Chargeurs**

### **Compensation and benefits of the Chairman and Chief Executive Officer for fiscal 2023**

The following CEO-to-worker pay ratio information is disclosed in accordance with Article L. 22-10-8 of the French Commercial Code, the following section sets out the principles and criteria used for determining, allocating and awarding the fixed, variable and exceptional components of the Chairman and Chief Executive Officer's total compensation and benefits for fiscal 2023, which will be submitted for shareholders' approval in an ex-ante say-on-pay vote at the Annual General Meeting of April 26, 2023.

On the recommendation of the Compensation Committee, the Board of Directors determines the Chairman and Chief Executive Officer's compensation and benefits based on two guiding principles: balance and consistency. The Chairman and Chief Executive Officer's compensation is decided by taking into account the Company's overall interests and the ratio between his compensation and that paid to the other corporate officers and the Company's employees.

Shareholders should note that:

- the Chairman and Chief Executive Officer is the Chargeurs group's main shareholder, through Columbus Holding SAS, in which he holds a substantial controlling interest; his direct and indirect interests make him the Group's leading shareholder;
- for this reason, the Chairman and Chief Executive Officer has a significant personal investment in Chargeurs, representing the equivalent of more than 50 years' annual salary; this illustrates his deep long-term commitment to the Group;
- since he took up his position, Mr. Fribourg has never sold a single Chargeurs share;
- Mr. Fribourg has steadily increased his direct and indirect personal investment in the Group since 2016 (notably by becoming Columbus Holding SAS's main shareholder in 2019 with a substantial controlling interest), paying a premium over the share price quoted on the stock market. His investment has remained at the same level since 2019 and was reconfirmed in 2022 through the acquisition of new Chargeurs shares by Columbus Holding SAS. The Chargeurs shares and voting rights held by Columbus Holding SAS at December 31, 2022 are presented in section 6.4 of this Universal Registration Document;
- at his request, Mr. Fribourg does not participate in any performance share or stock option plan or any deferred compensation plan with an equivalent effect;
- at his request, Mr. Fribourg does not participate in any company pension plan or any other deferred benefit plan with an equivalent effect;

- lastly, the Chairman and Chief Executive Officer does not have an employment contract with the Group.

The underlying principles for the compensation policy applicable to the Chairman and Chief Executive Officer are based on budgetary discipline and aligning the rules used for determining his compensation with the annual assessment of his individual performance and that of the Group. It also aims to take account of the experience and responsibilities of the Chairman and Chief Executive Officer, as well as the scale and sector profile of the Group, which has changed considerably since the change of governance in 2015. Since this turning point, the Group has recorded strong growth in results in recent years, particularly in 2020 during the Covid-19 health crisis, and was able to maintain a solid performance in 2022 despite a difficult and uncertain economic environment due to the war in Ukraine and the energy crisis. As such, the Group's revenue increased by +50% compared to 2015 (2022 revenue of €746.4 million vs €499 million in 2015), its EBITDA by 68% (2022 EBITDA of €67.9 million vs €40.3 million in 2015) and its recurring operating profit by 50% (2022 ROPA of €45.4 million vs €30.6 million in 2015). These results reflect, among other things, dynamic and responsive management by the Chief Executive Officer in the face of a series of major crises since 2020, as illustrated by the creation of the Chargeurs Healthcare Solutions business in response to the healthcare crisis, and the maintenance of economic performance at pre-hygiene crisis levels in a complex and volatile environment.

In addition to the excellent performances achieved in recent years, the Group has embarked on a far-reaching sector transformation of its businesses resulting in an organization around two strategic business segments in 2022: the Technologies division, comprising Chargeurs Advanced Materials, Chargeurs PCC Fashion Technologies and Chargeurs Healthcare Solutions, and the Luxury division, comprising Chargeurs Museum Studio, Chargeurs Luxury Fibers, Chargeurs Personal Goods. The targeted and diversifying acquisitions made to promote the emergence and growth of the Luxury division, in particular the BtoC activities - Fournival Altesse (2021), Swaine Adeney, Brigg (2021), Skira Editore S.p.A. (2022), The Cambridge Satchel Company (2022) – demonstrate the Group's commitment to continue its trajectory and expansion in the luxury sector as part of its Leap Forward 2025 program.

Despite a difficult and demanding macroeconomic environment that required mobilization by the Group to manage numerous disruptive factors, the fiscal year 2022, through the aforementioned investments in the Luxury division and its results, confirmed the direction and acceleration of the Group's strategic transformation.

In this environment, the compensation policy for 2023 is based on the same principles and the same rules applied to the compensation policy adopted during previous fiscal years:

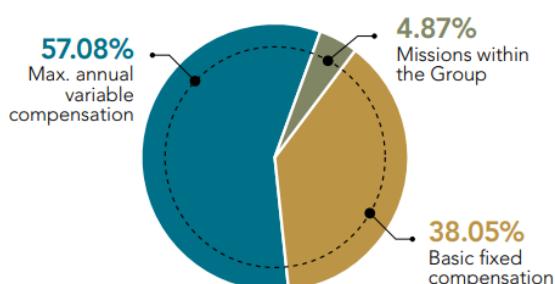
- The Chairman and Chief Executive Officer's compensation package comprises a fixed and a variable component. The breakdown between the various components reflects the Compensation

Committee's decision to maintain an overriding emphasis on variable performance-based compensation that supports the Group's strategic objectives.

- In addition, the various criteria for determining variable compensation remain subject to the specific sub-ceilings that were introduced in 2019. The overall ceiling for variable compensation is set at 150% of the basic fixed compensation, i.e. the rate initially and historically applicable before the health crisis.

### Theoretical annual breakdown

The graph below illustrates the theoretical annual breakdown of the different components of the compensation of the Chairman and Chief Executive Officer, which, as in previous fiscal years, reflects the preponderance of the variable portion compared with the basic fixed portion of his compensation:



#### (a) Basic fixed compensation

Note that the basic fixed compensation was set at €620,000 (gross) for fiscal 2021 and 2022.

For 2023, the basic fixed compensation was reviewed by the Compensation Committee, then by the Board of Directors, and increased to €750,000.

The level of the basic fixed compensation takes into account several principles and determining factors.

In the first place, it remains aligned with the annualized basic compensation of the Group's previous governance, which has been considerably transformed and developed.

It reflects the level of experience and responsibility of the Chairman and Chief Executive Officer, while remaining consistent with that of the Company's senior executives and competitive with the compensation of international companies of the same profile.

It also takes into account the successes achieved over the past two years, driven by the new Leap Forward 2025 operational program launched by the Chairman and Chief Executive Officer in 2021, resulting in accelerated changes in the Group's business model and portfolio, with Chargeurs' new businesses stepping up their contribution to the company's value creation since 2022.

As such, whereas in the past, Chargeurs was a purely industrial and BtoB group, it is now a mixed group with on the one hand both industrial and service activities, and on the other, both BtoB and BtoC activities. In view of these developments, managers have dealt with even more sophisticated and demanding challenges, issues, responsibilities and constraints, exacerbated by the difficult macroeconomic context of recent years, affected by a succession of unprecedented crises (health, energy and inflation).

In addition, Chargeurs has confirmed its position in the premium products and services sector, where talent and managers are particularly sought after, with compensation packages that are generally higher than that retained for the Chief Executive Officer in 2023.

The basic fixed compensation is therefore consistent with the Group's ambitious commitments in the luxury goods sector, which materialized through no less than five strategic and diversifying acquisitions - Fournival Altesse (2021), Swaine Adeney, Brigg (2021), Event Communications Ltd (2021), Skira Editore S.p.A. (2022), and The Cambridge Satchel Company (2022) - but also iconic successes, such as the global partnership between Gucci and NATIVA™, the opening of Swaine stores in London, or the creation of Chargeurs Museum Studio.

### **(b) Basic variable compensation**

Variable compensation is based on criteria that closely reflect the Group's strategy and ambitions.

The Chairman and Chief Executive Officer's variable compensation for 2023 will be contingent on the following two types of objectives:

- financial objectives, based on the Group's financial performance, notably its consolidated recurring operating profit by business segment; and
- individual non-financial objectives, based on successful implementation of key strategic long-term actions, as assessed by the Compensation Committee.

The Chairman and Chief Executive Officer's basic variable compensation for 2023 is based on quantitative and qualitative objectives, which are appropriately weighted, at 60% and 40% respectively. If the pre-defined threshold tied to the Group's recurring operating profit by business segment is fully reached and the Group's strategic qualitative objectives are met, as assessed by the Compensation Committee, the Chairman and Chief Executive Officer will be eligible for 100% of his basic variable compensation, which represents 50% of his basic fixed compensation.

### **(c) Variable compensation for outperformance**

As for the past two years, the variable compensation for outperformance for 2023 will be based on the following criteria:

- A criterion based on the Group's intrinsic performance: If the financial objectives are exceeded, as measured by the difference between actual recurring operating profit for 2023 and the threshold that triggers payment of his basic variable compensation, the Chairman and Chief Executive Officer may receive an additional amount of variable compensation, calculated based on a pre-defined

formula. The award of this additional variable compensation will be contingent on the Group achieving an ambitious target in terms of recurring operating profit, pre-defined in 2022 when the objectives for 2023 were set.

- The amount of additional variable compensation that would be payable if the financial objectives are outperformed would be capped at 140% of the Chairman and Chief Executive Officer's total basic variable compensation, which itself is capped at 50% of his basic fixed compensation.
- A criterion based on the Group's stock market performance: The Chairman and Chief Executive could receive a special bonus if Chargeurs' share price performs significantly well. The related share performance target for fiscal 2023 is based on a criterion of Shareholders' Returns, measured based on two performance conditions which each count for 50% of the bonus and are the same as for the previous three fiscal years:
  - a) If the difference in the Chargeurs share price between the beginning and the end of the fiscal year in question – based on the average closing share price for the last 20 trading days of the year compared with the average closing share price for the first 20 trading days of the year – is 5% higher than the SBF 120, a special bonus of €120,000 will be awarded.
  - b) If the dividend amount paid during the fiscal year – based on the average closing share price for the first 20 trading days of the year – is 2% higher than the average for a panel of peer companies, a special bonus of €120,000 will be awarded. This criterion is directly linked to shareholders' immediate interests. The Compensation Committee defines peer companies as Danaher, ITW and Griffon (50%); Serge Ferrari, Wendel, Guillin Group and SEB (50%).
- In addition to the above, the Board of Directors may award other special bonuses to the Chairman and Chief Executive Officer on a case-by-case basis on the recommendation of the Compensation Committee. Such bonuses may be awarded for particularly successful work related to matters such as raising debt or equity financing for the Group, acquisitions or divestments, or if the Chargeurs share price performs significantly well.

As in previous years, these bonuses may not exceed €100,000 in fiscal 2023.

For the fiscal year 2023, all variable compensation for the Chairman and Chief Executive Officer will be capped at 150% of the basic fixed compensation, i.e. the ceiling initially and historically applicable before the health crisis.

For 2023, the individual qualitative criteria (each with the same weighting) will concern the following five areas:

- developing talent management;
- implementation of the like-for-like and external growth strategy;
- developing green manufacturing;
- innovation;

- increase in the proportion of sustainable products included in the Group's total production, within the meaning of the United Nations' Global Compact Sustainable Development Goal (SDG) No. 9.

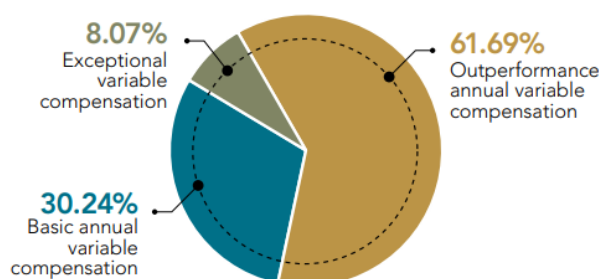
SDG No. 9 (United Nations Sustainable Development Goal) – Target 9.2: Promote inclusive and sustainable industrialization and, by 2030, significantly raise the industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

The respective weightings of the variable compensation components reflect the preponderance of the quantitative component rewarding outperformance compared with targets for (i) recurring operating profit and (ii) stock market performance. The breakdown reflects the Compensation Committee's choice of maintaining an exacting variable compensation program.

#### **(d) Compensation for corporate officer positions in other Group entities**

As part of the Group's international development and like-for-like and external growth policy, the Chairman and Chief Executive Officer is called upon to conduct business outside France, including specific monitoring of certain subsidiaries with a key strategic role, notably in the United States, where his role has been stepped up, and, in this respect, will receive gross compensation amounting to €96,000 for fiscal 2023 linked to his directorship functions. Conversely, at his own request, the Chairman and Chief Executive Officer does not receive any compensation for his roles and responsibilities as Chairman of the Board of Directors as set in Chargeurs S.A.'s bylaws (i.e., in relation to organizing the Board's work and operating procedures).

#### **Theoretical weighting of the variable compensation components (before applying the cap)**



#### **(e) Payment of the Chairman and Chief Executive Officer's variable and exceptional compensation**

Pursuant to the provisions of Article L. 22-10-8 of the French Commercial Code, payment of the Chairman and Chief Executive Officer's variable and exceptional compensation for fiscal 2023 will be contingent on the shareholders' approval – at the Annual General Meeting called to approve the fiscal 2023 financial statements – of the fixed, variable and exceptional components making up the total compensation and benefits in kind paid or awarded to the Chairman and Chief Executive Officer for fiscal 2023.

The above compensation components are summarized in the following table:

Type	Theoretical weighting	Maximum bonus (% of basic fixed compensation)	Objective
<b>BASIC VARIABLE COMPENSATION</b>			
Consolidated recurring operating profit	60%	30%	Recurring operating profit performance
Talent management	40%	20%	By reference to the qualitative aspects of the Leap Forward 2025 program
Implementation of like-for-like and external growth strategy			
Green manufacturing			
Innovation			
Increase in proportion of sustainable products			
<b>Sub-total I</b>	<b>100%</b>	<b>50%</b>	<b>-</b>
<b>VARIABLE COMPENSATION FOR OUTPERFORMANCE</b>			
Consolidated recurring operating profit	+68.6%	70%	Outperformance vs target consolidated recurring operating profit
Relative share price	+15.7%	16% (€120,000)	Over the fiscal year, Chargeurs shares outperformed the SBF 120 by 5%
Dividends/Relative share price	+15.7%	16% (€120,000)	In terms of annual dividend/share price ratio, Chargeurs outperformed its peer group by 2%
<b>Sub-total II</b>	<b>100%</b>	<b>+102%</b>	<b>-</b>
<b>EXCEPTIONAL VARIABLE COMPENSATION</b>			
Equity/debt raising exercises, divestments or acquisitions, stock market performance	100%	13.3% (€100,000)	Particularly successful equity/debt raising exercises, divestments or acquisitions, exceptionally good stock market performance
<b>Sub-total III</b>	<b>100%</b>	<b>+13.3%</b>	<b>-</b>
<b>TOTAL AFTER APPLYING THE 150% CAP</b>	<b>-</b>	<b>150%</b>	<b>-</b>

#### **(f) Directors' compensation**

As stated above, at his own request, the Chairman and Chief Executive Officer does not receive any compensation for his roles and responsibilities as Chairman of the Board of Directors as set in the Company's bylaws (i.e., in relation to organizing the Board's work and operating procedures). As in prior fiscal years, and again at his own request, he will not receive any compensation for fiscal 2023 in his capacity as a member of the Board of Directors of Chargeurs S.A.

#### **(g) Benefits in kind**

In 2023, the Chairman and Chief Executive Officer may continue to have the personal use of a means of transport at the Group's disposal to facilitate certain business trips. The use of this means of transport – which will be calculated on a variable hourly cost basis – will be recognized as a benefit in kind and capped at an annual amount of €22,000. The Company has also taken out an unemployment insurance policy on his behalf whose premiums (representing an annual amount of €21,120) are subject to payroll taxes and are therefore accounted for as benefits in kind.

#### **(h) Commitments given to the Chairman and Chief Executive Officer**



At its meeting on March 8, 2017 the Board of Directors approved a non-compete agreement between Mr. Fribourg and the Company which reflects the Group's standard practices. This commitment was approved by the shareholders at the April 20, 2017 Annual General Meeting in accordance with the applicable legislation.

In this respect, considering his roles and responsibilities, Mr. Fribourg has daily access to confidential information about the Company and other Group entities, as well as their customers, which, if disclosed to competitors, could severely harm the Company's interests.

Consequently, Mr. Fribourg has given an undertaking that if his duties as either Chief Executive Officer or as Chairman and Chief Executive Officer are terminated (irrespective of the reasons therefor and manner thereof), he will refrain for a period of two years from entering into the service of, or taking any form of direct or indirect interest in, any entity whose business activities compete with those of the Chargeurs group in the segments of (i) temporary surface protection and (ii) garment interlining. This undertaking applies in the main countries where the Group has premises or an operating presence.

As consideration, if Mr. Fribourg leaves office or his roles of Chairman and Chief Executive Officer are separated, the Company will pay him a non-compete indemnity equal to his total gross compensation for the last full fiscal year. For the purpose of calculating this benefit, total gross compensation corresponds to his basic fixed compensation (including the compensation received for his directorships in Group entities) and the full amount of his variable compensation received for the last full fiscal year.

Also on March 8, 2017, the Board of Directors approved a related party agreement setting out the benefits that would be payable to Mr. Fribourg by Chargeurs SA in the event that (i) his term of office is not renewed, (ii) he is removed from office, (iii) his roles as Chairman and Chief Executive Officer are separated, or (iv) there is a change in the Company's strategy or control. This agreement, which reflects the Group's standard practices, was approved by the shareholders at the April 20, 2017 Annual General Meeting in accordance with the applicable legislation.

As such, if Mr. Fribourg is removed from office or his term of office is not renewed for whatever reason (including in the event of a transformation, a change in governance structure, the separation of the roles of Chairman and Chief Executive Officer or a merger), except in the event of gross negligence or serious misconduct (within the meaning of French case law), or if he resigns from his office of Chairman and Chief Executive Officer within the Company, he will receive an indemnity equal to his total gross compensation received for the last full fiscal year.

For the purpose of calculating this benefit, total gross compensation corresponds to his basic fixed compensation (including the compensation received for his directorships in Group entities) and the full amount of his variable compensation received for the last full fiscal year.

The payment of this indemnity is contingent on consolidated recurring operating profit for the last full fiscal year representing the minimum amount for Mr. Fribourg's quantitative-based variable compensation to become payable.



**Draft resolution (ex-ante say-on-pay vote)**

*"Voting in accordance with the quorum and majority rules applicable to ordinary meetings and having considered the report of the Board of Directors, in accordance with article L. 22-10-8 of the French Commercial Code, the shareholders approve the compensation policy applicable to the Chairman and Chief Executive Officer as presented and described in the report of the Board of Directors on corporate governance."*