

# PRINCIPLES FOR REMUNERATION OF EXECUTIVE OFFICERS IN RESPECT OF 2021

Report on remuneration prepared in accordance with Article L. 22-10-8 of the French Commercial Code.

## 1.1. COMPONENTS OF REMUNERATION TO BE AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN RESPECT OF 2021

The Board of Directors closed off and approved this report at its meeting of Wednesday 10 February 2021 upon recommendation of the Selection and Remuneration Committee.

This remuneration policy is subject to the approval of the General Meeting of Shareholders of 15 April 2021 as part of the seventh resolution.

### GENERAL PRINCIPLES

The Board of Directors has determined nine general principles on the basis of which the 2021 remuneration and benefits of the Chairman and Chief Executive Officer of TF1 will be determined.

1. Compliance with AFEP/MEDEF code recommendations.
2. No severance benefit or non-competition indemnity on leaving office.
3. Level of remuneration that takes into account the existence of a capped supplementary pension and the fact that no severance benefit or non-competition indemnity has been granted.
4. Remuneration commensurate with the level and difficulty of the Executive Officer's responsibilities. Remuneration commensurate with the Executive Officer's experience in the position held and his length of service with the Group.
5. Remuneration that takes account of the practices applied in groups or enterprises carrying on comparable activities.
6. An incentivising remuneration structure comprising the following:
  - fixed remuneration,
  - annual variable remuneration,
  - remuneration for serving as a director,
  - limited benefits in kind,
  - supplementary pension.
7. No deferred annual variable remuneration.
8. Discretion left to the Board of Directors to decide to pay exceptional remuneration in accordance with Article L. 22-10-8 of the French Commercial Code. This derogation is temporary and should be consistent with the Company's social interest. Exceptional circumstances could result in particular from an unexpected change in the competitive environment, a significant change in the Group's scope or a major event affecting markets, the economy and/or the sectors in which the Group operates.
9. No additional remuneration paid to the Executive Officer by any Group subsidiary apart from remuneration for serving as a Director.

Aware that its success and progress depends on the skills and mindset of the men and women who work within it, the Group strives to implement a remuneration policy in all its entities that rewards its employees for achieving or exceeding of individual and collective objectives.

The purpose of determining, reviewing and implementing the remuneration policy is to involve employees in the Company's results.

## CRITERIA USED IN 2021 BY THE BOARD OF DIRECTORS TO DETERMINE, ALLOCATE AND AWARD THE FIXED, VARIABLE AND SUPPLEMENTARY PENSION COMPONENTS OF THE TOTAL REMUNERATION AND BENEFITS OF ALL KINDS OF THE EXECUTIVE OFFICER

### FIXED REMUNERATION

€920,000.

### ANNUAL VARIABLE REMUNERATION

The Board of Directors and the Selection and Remuneration Committee ensure that the variable remuneration of the Chairman & Chief Executive Officer is aligned on the company's performance goals, such that it is consistent with the corporate interest and with the medium/long-term commercial strategy.

It may not exceed 170% of fixed remuneration, *i.e.* it is capped at €1,564,000.

The annual variable remuneration would be determined by applying six criteria (five of them referring to a three-year business plan), opening up the possibility of the Executive Officer receiving six variable components: P1, P2, P3, P4, P5 and P6.

P1 Actual free cash flow<sup>1</sup> of TF1 for the financial year/Objective = Free cash flow per the 2021 plan

P2 Actual net surplus cash/net debt of the TF1 group for the financial year/Objective = Net surplus cash/Net debt per the 2021 plan.

P3 Actual current operating margin of the TF1 group for the financial year/Objective = current operating margin per the 2021 plan.

P4 Actual consolidated net profit (CNP)<sup>2</sup> of TF1 for the financial year/Objective = CNP per the 2021 plan

P5 Actual current operating margin of the Unify division for the financial year/Objective = current operating margin per the 2021 plan.

P6 Three extra-financial criteria:

- Compliance (involvement in the development of compliance programmes and the implementation of the AFA report): weighted 10%;
- Social and environmental responsibility (comprising a health and safety criterion, a gender balance criterion, and an environmental criterion in line with the Group's CO<sub>2</sub> emissions reduction objective): weighted 15%;
- Managerial performance (working practices, involvement in transverse Group-wide projects, staff relations): weighted 15%.

### Method used to determine annual variable remuneration for 2021

The method for determining the annual variable remuneration of the Executive Officer is based on six separate criteria - P1, P2, P3, P4, P5 and P6 - defined above.

The variable remuneration for 2021 is based on the result calculated according to three pre -defined "thresholds" for each of the criteria.

(FR = Fixed Remuneration)

#### P1, P2, P3, P4 AND P5

The variable portion awarded (P1, P2, P3, P4 and P5) reflects the actual performance achieved during the year. It is expressed as a % of fixed remuneration (% of FR).

For each criterion, three thresholds have been determined:

- A "lower" threshold that determines the threshold for triggering the bonus;
- An "intermediate" threshold, corresponding to the expected results in 2021;
- An "upper" threshold for overperformance in excess of the financial goals of the intermediate threshold.

Each variable portion (P1, P2, P3, P4 and P5) is calculated as follows:

1. If the lowest target is met:

P1 = 10 to 20% of FR

P2 = 10 to 20% of FR

P3 = 15 to 30% of FR

P4 = 10 to 20% of FR

P5 = 7.5 to 15% of FR

2. If the intermediate threshold is reached:

P1 = 20% of FR

P2 = 20% of FR

P3 = 30% of FR

P4 = 20% of FR

P5 = 15% of FR

3. if the upper threshold is reached:

P1 = 20 to 30% of FR

P2 = 20 to 25% of FR

P3 = 30 to 35% of FR

P4 = 20 to 25% of FR

<sup>1</sup> Free cash flow before changes in working capital relating to operating activities and to non-current assets used in operations. This indicator will be adjusted to eliminate exceptional items.

<sup>2</sup> This indicator will be adjusted to eliminate exceptional items



P5 = 15% of FR

Between these thresholds, the weight of each bonus varies linearly.

## **P6**

The Board of Directors evaluates the attainment level of P6, subject to a cap of 40% of FR.

## **OTHER REMUNERATION**

Any other remuneration paid by a Group subsidiary would be retained by the Executive Officer.

## **BENEFITS IN KIND**

The Executive Officer would be allocated a company car as well as a package for a predetermined number of hours of tax advisory services.

## **STOCK OPTIONS AND PERFORMANCE SHARES AND LONG-TERM REMUNERATION**

Because the Executive Officer (Gilles Pélisson) holds a contract of employment with Bouygues SA, the Bouygues Board of Directors may award him (i) options giving entitlement to subscribe for new Bouygues shares; (ii) performance shares; and (iii) long-term remuneration<sup>3</sup>.

## **SUPPLEMENTARY PENSION**

### **Contingent-rights collective pension scheme governed by Article L. 137-11 of the French Social Security Code (rights for periods of employment prior to 1 January 2020).**

Gilles PELISSON, who joined the scheme before 4 July 2019, was eligible for the defined-benefit collective supplementary pension scheme governed by Article L. 137-11 of the French Social Security Code.

Subject to his still being with the Bouygues group on retirement, the Chairman and CEO of TF1 was entitled to an annuity under this scheme.

In accordance with Law No. 2019-486 of 22 May 2019 (the Pacte law) and Order No. 2019-697 of 3 July 2019, this scheme was closed to new members from 4 July 2019 onwards, and the rights of existing members were frozen as of 31 December 2019.

Due to the closure of the scheme and the freezing of scheme members' rights, the Chairman and CEO of TF1 cannot accumulate any further rights under this pension scheme from 1 January 2020 onwards.

Pursuant to Article 5 of Order No. 2019-697 of 3 July 2019, Bouygues intends to transfer the contingent rights under this scheme (governed by Article L. 137-11 of the Social Security Code) to a vested-rights scheme (governed by Article L. 137-11-2 of the Social Security Code), the characteristics of which are identical to those of the vested-rights scheme described below. This means that the pension benefits accumulated under the old scheme will, as a result of the transfer, no longer be contingent on the beneficiary still being with the Bouygues group when he takes retirement.

In any event, no rights may be transferred to the beneficiary above the cap of 30% of his average annual remuneration liable to social security contributions over the last three years under the scheme governed by Article L. 137-11 of the Social Security Code.

### **Vested-rights pension scheme governed by Article L. 137-11-2 of the French Social Security Code (rights for periods of employment subsequent to 1 January 2020).**

Given the closure of and the freezing of contingent rights under defined-benefit pension schemes governed by Article L. 137-11 of the Social Security Code, the Board meetings of 13 November 2019 and 19 February 2020 decided (acting on a proposal from the Selection and Remuneration Committee) to introduce a new vested-rights pension scheme in compliance with currently applicable legislation (Article L. 137-11-2 of the Social Security Code). The new scheme enables members of the Bouygues Management Committee who have not reached the cap adopted by the Board to accumulate pension rights for periods of employment subsequent to 1 January 2020 such that they will receive the same level of annuity (0.92% a year) as under the previous scheme in place within Bouygues, subject to fulfilment of the performance conditions described below.

In accordance with the new regulations, pension rights will vest annually and will no longer be subject to the individual still being with the Company at retirement.

Gilles PELISSON was eligible for this new pension scheme.

This scheme has the following characteristics:

1. Conditions for joining the scheme and other eligibility conditions whereby the beneficiary must:
  - be a member of the Bouygues General Management Committee
  - have at least three years' service within a Bouygues Group company;
2. Reference remuneration: gross annual fixed remuneration plus gross annual variable remuneration;
3. Frequency of vesting of rights: annual.
4. Annual cap on vested pension rights: 0.92% of the reference salary.

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<sup>3</sup> For details of how such options, shares and long-term remuneration are awarded, refer to the Bouygues Universal Registration Document.

5. Overall cap: 8x the annual upper limit for Social Security contributions (cap of €329 088 in 2021).
6. Overall cap on vested rights under all schemes governed by Article L. 137-11-2 of the French Social Security Code: 30 points
7. Funding is contracted out to an insurance company, to which an annual contribution is paid.
8. Performance conditions:

The performance conditions for 2021 would be as follows:

- 2021 financial year: Objective = that the average of the TF1 Group's consolidated net profit figures for the 2021 financial year and for the 2020 and 2019 financial years ("Average CNP") is no more than 10% below the average of the consolidated net profit figures specified in the plan for the 2020 financial year and in the plans for the 2019 and 2018 financial years.
- This target set is 50% based on TF1 targets and 50% on Group targets.

Terms for determining the vesting of pension rights based on performance and by objective:

- If average CNP is equal to the Objective or is greater than the Objective:
- Annual pension rights = 0.46% of the reference salary;
- If average CNP is more than 10% below the Objective: annual pension rights = 0.

Between this lower limit and this upper limit, the pension rights allocated by objective vary on a straight -line basis from 0 to 0.46 % of the reference salary.

The amount of pensions paid under the pension schemes covered by Articles L. 137-11 (contingent-rights scheme) and L. 137-11-2 (vested-rights scheme) of the French Social Security Code in force within the Company is limited to eight times the annual social security ceiling (€329,088 in 2021).

#### **ADDITIONAL SHARE-BASED PENSION**

In addition to, and on the basis of vesting principles identical to those of the supplementary pension governed by Article L. 137-11-2 of the French Social Security Code, a supplementary share-based pension scheme is envisaged, based on a pension entitlement greater than eight times the annual social security ceiling and capped at fourteen times the annual social security ceiling.

This scheme applies to the beneficiary of the vested-rights governed by Article L. 137-11-2 of the French Social Security Code, providing it has reached the cap set by the Board of Directors of Bouygues (eight times the annual social security ceiling) for defined benefit pension plans in force within the Group.

## **1.2. COMPONENTS OF REMUNERATION TO BE AWARDED TO DIRECTORS FOR 2021**

The Annual General Meeting of 23 April 2003 set the total amount of remuneration of Directors at €350,000 annually; it is for the Board of Directors to determine how this amount should be allocated. The Selection and Remuneration Committee makes proposals on the system for remunerating Directors, and specifically on the arrangements for allocating remuneration between them.

Acting on a recommendation from the Committee, the amount of remuneration allocated to the Directors has been adjusted by the Board of Directors in 2021; this is the first time their remuneration has been reassessed since the Board decision of 17 April 2007 (or 15 February 2012, in the case of the Audit Committee), and brings it into line with the practices adopted by comparable companies. The amount determined varies for each Director according to whether he or she chairs a committee.

The new arrangements for allocating remuneration, with effect from 1 April 2021, are as follows:

- remuneration allocated to each Director increased from €18,500 to €21,000 a year;
- remuneration allocated to each Audit Committee member maintained at €12,000 a year;
- remuneration allocated to each Selection and Remuneration Committee member increased from €5,400 to €7,000 a year;
- remuneration allocated to each Ethics, CSR and Patronage Committee member increased from €5,400 to €7,000 a year;
- remuneration of €3,000 a year allocated to the Chair of each of the three committees.

Those amounts will be allocated 70% on the basis of attendance at Board and Committee Meetings, and 30% on the basis of the Director's responsibilities.