

Compensation policies for corporate officers for 2020

Toulouse, June 11, 2020,

The compensation policies for corporate officers for the financial year 2020 were approved by the Combined General Meeting of Shareholders of June 11, 2020 in its Fifteenth, Sixteenth, Seventeenth and Eighteenth Ordinary Resolutions. The results of the votes on these resolutions are as follows:

Resolution No.	Wording ordinary resolution	Votes for	%	Vote against	%	Abstention	%	Result
Resolution 15	Approval of the compensation policy for directors	63,905,867	99.125%	563,875	0.875%	186	0.000%	Adopted
Resolution 16	Approval of the compensation policy for the Chairman of the Board of Directors	63,905,867	99.125%	564,061	0.875%	0	0.000%	Adopted
Resolution 17	Approval of the compensation policy for the Chief Executive Officer	63,866,354	99.064%	603,574	0.936%	0	0.000%	Adopted
Resolution 18	Approval of the compensation policy for the Deputy Chief Executive Officer and/or any other executive corporate officer	63,867,554	99.066%	602,374	0.934%	0	0.000%	Adopted

COMPENSATION POLICIES FOR CORPORATE OFFICERS APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS OF JUNE 11, 2020 (TAKEN FROM THE UNIVERSAL REGISTRATION DOCUMENT 2019 (URD 2019) AND ITS AMENDMENT FILED WITH THE AMF ON MAY 19, 2020 UNDER NUMBER D.20-0437-A01)

Cross-references corresponding to paragraphs of URD 2019.

By way of an introduction, it should be recalled that the corporate officers' compensation policy as detailed below and established in application of Article L. 225-37-2 of the French Commercial Code (*Code de commerce*) describes all component parts of the compensation awarded to the corporate officers of Latécoère on the basis of their appointments and explains the process adopted for its definition, distribution, revision and implementation.

The policy regarding the compensation awarded to the corporate officers of Latécoère consists of four separate policies, i.e. (i) the compensation policy applicable to the Chairman of the Board of Directors, (ii) the compensation policy applicable to the Chief Executive Officer, (iii) the compensation policy applicable to the Deputy Chief Executive Officer(s), and (iv) the compensation policy applicable to the Directors.

Each of these policies is submitted for approval to the

General Meeting of Shareholders in application of Article L. 225-37-2 II of the French Commercial Code (*Code de commerce*). The compensation policy approved in year 0 applies to any individual who holds a corporate office during year 0. The compensation policy described below shall thereby be submitted for approval to the General Meeting of June 11, 2020.

Moreover, when a corporate officer is appointed between two General Meetings of Shareholders, his or her compensation is then defined in application of the provisions of the compensation policy applicable thereto, as approved by the most recent General Meeting of Shareholders.

GENERAL PRINCIPLES

The compensation policy for corporate officers is set by the Board of Directors upon proposal by the Appointments and Compensation Committee and adhering to the

principles enunciated in the MiddleNext Code, September 2016 version. Each year, it is put to the vote at the General Meeting of Shareholders in accordance with the regulations in force (*ex ante* vote).

Accordingly, in devising and setting the compensation policy for its senior executives, Latécoère relies on the following seven principles: thoroughness, balance, benchmarking, consistency, simplicity, measurement and transparency. In this way it takes into account the best interests of the Company, market practices, and the performance of its senior executives.

Latécoère measures compensation as a whole, considering every item granted or paid to executives, including the benefit represented by the severance pay they may receive. The components of their compensation are complementary and meet different objectives.

A balanced distribution between these various component parts is also sought in order for the compensation policy to act as an incentive over the long term, to remain competitive so as to guarantee the retention of talent, and to be in line with the corporate interest while enabling the implementation of the Company's strategy and contributing to the long-term application thereof.

The Board of Directors and the Appointments and Compensation Committee ensure the prevention and management of any conflict of interests that could arise in this decision-making process in accordance with the Company's policy on the prevention of conflicts of interest. In accordance with the applicable regulations, the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer or Officers do not take part in the deliberations or the voting on the compensation or commitments relating to them submitted to the Board of Directors.

In the context of its assignment, the Appointments and Compensation Committee invites the Group's Head of Human Resources to each of its meetings and involves the latter in its work when examining the compensation policy applicable to corporate officers. The committee nevertheless deliberates when no guests are present.

Each year, the Appointments and Compensation Committee launches a dialog with the members of the Audit and Risk Committee and with those of the Strategy Committee, in order to ensure that the compensation policy is being applied correctly with regard to the quantitative performance criteria on which it is based, the coherency of the contemplated performance criteria, and their relevance to the Company given its strategy, and in order to measure the financial impacts of the recommended compensation policy.

The compensation policy is not subject to annual revision. However, certain details concerning the application of the compensation policy, such as the performance criteria applicable to the variable part of the annual compensation paid to the Chief Executive Officer and the Deputy Chief Executive Officer(s), are defined each year by the Board of Directors on the basis of recommendations made by the Appointments and Compensation Committee.

After having consulted the Appointments and

Compensation Committee and, if applicable, the Audit and Risk Committee and the Strategy Committee, the Board of Directors may decide to grant temporary exceptions with regard to the compensation policy applicable to the Chief Executive Officer and the Deputy Chief Executive Officer(s) in the event of exceptional circumstances and to the extent that the changes made are in line with the corporate interest and necessary in order to guarantee the sustainability and success of Latécoère's commercial strategy.

The elements of compensation for which an exception may be granted are the annual fixed compensation and the annual variable compensation. The exceptions may consist of an increase or a reduction in the compensation in question. Events liable to lead to an exception to the compensation policy applicable to the Chief Executive Officer and Deputy Chief Executive Officer(s) are, by way of an example, exceptional external growth transactions or a major change in strategy.

The Appointments and Compensation Committee ensures that any changes in the compensation paid to corporate officers over the medium term remain in correlation with those made to the compensation paid to Group employees as a whole. Its objective is also to have the performance criteria applicable to the flexible part of the annual compensation of the Chief Executive Officer and the Deputy Chief Executive Officer(s) come into line with those applicable to the variable part of the compensation paid to the Company's key managers, i.e. the members of the Executive Committee, in particular with regard to quantitative criteria. This also applies to long-term compensation paid in shares.

The policy regarding compensation paid in shares seeks to involve the employees and corporate officers in the achievement of the Company's strategy in the long-term and its sustainability.

The Board of Directors, further to recommendations made by the Appointments and Compensation Committee, sets several performance conditions attached to compensation paid in shares, taking care to align this with the Company's long-term performance. For this purpose, performance is measured on the basis of the Business Plan defined by the Board of Directors, taking into account, for certain conditions, performance over several years. The awarding of performance shares is also subordinate to attendance conditions at the end of the period for which the performance criteria must be met.

The failure or partial failure to fulfill the performance conditions is sanctioned by the loss of all or part of the initial amount allocated.

The performance conditions applicable to those shares already awarded cannot be modified subsequently.

A. COMPENSATION POLICY FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS

The various benefits in kind payable to the Chairman of the Board of Directors chiefly reflect the level of responsibility associated with his position and his competency in organizing and directing the work of the Company's Board.

The compensation policy applicable to the Chairman of the Board of Directors is the subject of a recommendation made by the Board of Directors' Appointments and Compensation Committee. The Chairman of the Board of Directors does not take part in the deliberations of the committee on the subject of his compensation.

Annual fixed compensation

The compensation paid to the Chairman of the Board of Directors consists of fixed compensation set by the Board of Directors upon the advice of the Appointments and Compensation Committee. The maximum annual fixed compensation is set at €200,000. It is payable in twelve monthly installments and calculated, if necessary, *pro rata temporis*.

The compensation of the Chairman of the Board of Directors is exclusive of any other compensation (inclusive of any compensation in respect of his duties as a Director – formerly Directors fees) paid to non-executive corporate officers and subject to the items set forth below.

Extraordinary bonus

The Company may pay the Chairman of the Board of Directors an extraordinary bonus to compensate him for his involvement in special circumstances affecting the Company or the Group. Payment of this bonus is subject to approval from the General Meeting (*ex-post* vote).

Compensation due or that might become due as a result of termination of service

Severance pay may be granted to the Chairman of the Board of Directors should his service be terminated at the Company's initiative.

The amount of the payment is calculated on the total compensation received by the beneficiary of the payment during the fiscal year preceding that in which he ceased to serve as Chairman of the Board of Directors.

B. COMPENSATION POLICY FOR THE CHIEF EXECUTIVE OFFICER

The compensation policy for the Chief Executive Officer covers the principles and criteria used to determine, allocate and award the fixed, variable and extraordinary components of the total compensation and the benefits in kind payable to him. The policy is drawn up by the Board of Directors upon the recommendation of the Appointments and Compensation Committee and then submitted to the General Meeting of Shareholders. It is applicable until modified.

The overall compensation paid to the Chief Executive Officer is calculated taking into account practices in the sector for companies comparable in size to Latécoère. This comparison is necessary to ensure that the Chief Executive Officer's compensation policy remains coherent and is vital for attracting and retaining key executives.

The Appointments and Compensation Committee also ensures that the overall compensation paid to the Chief Executive Officer is and remains balanced with regard to all of its component parts, fixed, variable, exceptional and long-term through performance shares and/or stock options.

The compensation policy applicable to the Chief Executive Officer seeks to motivate and reward his performance via a significant part subject to the fulfillment of financial and non-financial criteria reflecting the operational and strategic targets set by the Company, while at the same time remaining compliant with the corporate interest and the objective of value creation.

The annual variable compensation and the long-term compensation in shares seek to bring the interest of the Chief Executive Officer into line with the interests of the shareholders and stakeholders.

The Chief Executive Officer receives compensation composed of a fixed annual payment, an annual variable payment, an exceptional payment and a long-term payment. Each of these component parts is set out below:

Compensation items	Form of payment	Maximum amount	Ceiling	Performance conditions	Performance indicators	Relative weight of the indicator in the corresponding compensation item	Ceiling applicable to the annual variable part by criterion
Annual fixed part	Amount paid in cash during calendar year N in 12 monthly payments	Amount set by the Board: maximum €550,000	Not applicable	no	Not applicable	Not applicable	Not applicable
Annual variable part	Amount paid in cash during calendar year N +1 following approval from the General Meeting of Shareholders in an <i>ex post</i> vote	Amount between 0 and the ceiling applicable to the annual variable amount	X% of the fixed amount, calculated by the Board	yes	Group EBITDA	35%	175%
					Group free cash flow	17.50%	175%
					Zero base budget implementation rate	17.50%	175%
					Individual criteria	30%	120%
TOTAL ANNUAL VARIABLE PART						100%	158.50%
Exceptional part	Amount paid in cash during calendar year	Amount set by the Board	100% of the annual fixed part	no	Not applicable	Not applicable	Not applicable

	N+1 following approval from the General Meeting of Shareholders in an <i>ex post</i> vote						
Long-term variable part	Delivery of Latécoère shares, subject to performance condition, after a vesting period, and a holding period of at least one year	Number of shares set by the Board	100% of ceiling applicable to the annual compensation (fixed and variable)	yes	Revenue	33.1/3%	Not applicable
					EBITDA/Revenue ratio	33.1/3%	Not applicable
					Stock market performance (ratio change in the Latécoère share price/change in the aeronautical index)	33.1/3%	Not applicable
				TOTAL LONG-TERM VARIABLE PART		100%	

Annual fixed compensation

The fixed portion of the annual compensation is reviewed every year by the Board of Directors, together with the opinion of the Appointments and Compensation Committee. It remains unchanged unless the Board of Directors votes otherwise upon the recommendation of the Appointments and Compensation Committee, particularly in light of market conditions and change over time in the Company's financial situation. It is payable in twelve monthly installments and calculated, if necessary, *pro rata temporis*. The maximum annual fixed compensation is set at €550,000 for the 2020 fiscal year.

Annual variable compensation

The variable portion of the annual compensation is meant to reflect the personal contributions of executive corporate officers to the development of the Company and the improvement of its earnings. It is balanced against the fixed portion of the compensation.

Performance evaluation in terms of the variable compensation of the Chief Executive Officer takes into account financial and non-financial qualitative and quantitative criteria, which are ambitious and in line with the Group's strategy.

The variable portion is determined as a percentage of the fixed portion of the annual compensation, which may not exceed 160%, with a target of 100%. This maximum percentage, which stood at 120% in the context of the previous compensation policy applicable to the Chief Executive Officer approved by the General Meeting of Shareholders on May 13, 2019, was reviewed and modified by the Board of Directors on March 6 and 24, 2020, further to a proposal from the Appointments and Compensation Committee, in order

to reinforce the link between the Chief Executive Officer's performance and the Group's results.

The financial and individual objectives applicable to the variable compensation of the Chief Executive Officer are set yearly, for the year under way, by the Board of Directors, upon proposal by the Appointments and Compensation Committee, no later than at the start of each fiscal year and together with the approval of the Group's budget forecast for the year under consideration, in order to take into account Latécoère's strategic objectives.

Each year, the Board of Directors may, if so proposed by the Appointments and Compensation Committee, change the financial and individual objectives based on quantitative and qualitative criteria in order to tailor them and make them more consistent with the Company's situation, outlook for development and trend in financial performance.

Each year, simultaneously with the finalization of the Company's parent company financial statements and consolidated financial statements for the previous closed fiscal year, the Appointments and Compensation Committee assesses the achievement by the Chief Executive Officer of the targets linked to the quantitative and qualitative criteria on the basis of the factual impacts and figures provided by the Finance Department and Senior Management. It then reports on its work to the Board of Directors which assesses the Chief Executive Officer's performance criterion by criterion and records the size of the variable portion of his annual compensation for the past fiscal year based on the rate of satisfaction of the criteria.

The table below describes for the fiscal year 2020 the criteria applicable to the variable portion of the annual compensation of the Chief Executive Officer:

Annual variable part	Ceiling as a percentage of the annual variable compensation	Criteria	Relative weight of the indicator in the corresponding compensation item	Explanation of the relevance of the indicators and detailed implementation methods
Financial performance criteria	70%	Group EBITDA	35%	These three indicators give an understanding of the quality of the Group's economic and financial management from various complementary angles. The Group's financial performance is assessed through the three indicators referred to over, recorded as at December 31 of each year. The method consists of comparing the level of each of these indicators recorded as at December 31 of the past year (N) with that set by the Board of Directors for year N in the context of the Budget and acknowledging the corresponding discrepancy. A bonus is associated with each performance indicator. The size of the bonus is based on the discrepancy observed between the level of attainment and the Budget for the corresponding indicator. This is within a range of between 0 and a ceiling equal to 175% of the value of the annual variable part which can be awarded on the basis of the criterion in question, in accordance with a table set by the Board.
		Group free cash flow	17.50%	
		Zero base budget implementation rate	17.50%	
Individual performance indicators*	30%	Performance and risk management	10%	With this criterion, the Board intends to ensure that the risk management process is effective.
		Management and commercial performance	15%	The purpose of this criterion is to monitor the effectiveness of Group management with regard to the latter's commercial performance and profitability
		Financial optimization and long-term viability of the Group	5%	With this criterion, the Board intends to ensure that efficient organization structures and financial tools are put in place to ensure good governance.

(*) At the start of each year, the Board sets the targets and allocates a weighting coefficient to each to reflect its priorities. The Board may without restriction make changes to these indicators based on the environment and the context. As of the finalization of the financial statements for the fiscal year N-1, the Board's decisions are made further to an examination of the recommendations made by the Appointments and Compensation Committee and after having allowed the Directors to hold discussions without any Executive Corporate Officer being present. The Board sets the performance level for each target and calculates the corresponding bonus from this. The Chief Executive Officer does not take part in the deliberations and does not cast a vote.

For confidentiality reasons connected to the Group's strategy and targets, the level of attainment required (target) for the quantitative criteria as well as the detail of the qualitative criteria, although pre-established in detail, cannot be disclosed. These criteria are always assessed taking performance on a Group level into account. There is no provision for the option to ask for the refund of one part of the annual variable compensation.

In accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the components of the Chief Executive Officer's variable compensation for fiscal year N-1 shall be paid in year N only after the Ordinary General Meeting has approved (in an *ex-post* vote) the fixed, variable and extraordinary items making up the total compensation and the benefits in kind paid or granted to the Chief Executive Officer for fiscal year N-1.

Exceptional compensation

The Chief Executive Officer may receive exceptional compensation up to a maximum amount corresponding to 100% of his or her annual fixed compensation if the Company carries out a significant strategic project.

In accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code, the components of the Chief Executive Officer's exceptional compensation for fiscal year N-1 shall be paid in year N only after the Ordinary General Meeting has approved (in an *ex-post*

vote) the fixed, variable and extraordinary items making up the total compensation and the benefits in kind paid or granted to the Chief Executive Officer for fiscal year N-1.

Payment on assumption of duties

The Chief Executive Officer may at the time of his or her hiring be awarded a signing bonus to make up for the loss of benefits he or she used to enjoy but must relinquish on joining the Company. The amount of such payment would be set by the Board of Directors, upon the advice of the Appointments and Compensation Committee.

The primary purpose of such a signing bonus would be to enable the Company to recruit experienced, competent executives in a highly competitive environment and give them more incentive to join the Group.

Compensation due or that might become due as a result of termination of service

A severance payment may be made to the Chief Executive Officer should he or she terminate his or her service at the Company's initiative or be forced to leave the Group.

No severance pay shall be made should the Chief Executive Officer terminate his or her service at the

Company's initiative or be forced to leave the Group if on the grounds of gross misconduct or negligence or if the Chief Executive Officer resigns that position and leaves the Group on his or her own initiative, unless the departure chosen by the Chief Executive Officer can be considered a forced departure in light of the surrounding circumstances.

Any severance pay owed is subject to the recipient's having met performance conditions linked to the Company's performance.

Moreover, the payment may only be made with the prior acknowledgment by the Board of Directors that the conditions it imposed have been met.

The amount of the payment is calculated on the total compensation – fixed, variable and in kind – received during the fiscal year preceding that in which the beneficiary is obliged to cease serving as an Executive Corporate Officer and leaves the Group.

Compensation for the duties performed by a Director (formerly, Directors' fees)

If the Chief Executive Officer also sits on the Board of Directors, he or she does not receive any compensation on the basis of these duties.

Stock options and performance shares

The Chief Executive Officer is eligible for the performance-based incentive plans that the Company makes available to Group employees and executives, including stock subscription or purchase options and awards of shares conditioned on performance.

The potential awarding of performance shares to the Chief Executive Officer is decided after having taken into account the fulfillment of a presence condition and of the ambitious economic and stock market performance conditions set by the Board of Directors on the basis of recommendations made by the Appointments and Compensation Committee, and to the acknowledgment of the fulfillment of these conditions by the Board of Directors on the basis of the work carried out by the Appointments and Compensation Committee. The awarding of performance shares to the Chief Executive Officer in year N, after acknowledgment of the fulfillment of attendance and performance conditions on December 31 in year N-1, are followed by a vesting period and a holding period, each of a minimum of one year.

If the executive leaves during the fiscal year, the presence condition is not then met on December 31 of year N-1 and no shares can therefore be allocated to him in year N on the basis of year N-1.

Each allocation of performance shares to the Chief Executive Officer is completed in consideration of his overall compensation, of earlier allocations, and of allocations completed in favor of other employees.

The Chief Executive Officer is subject, while still in office, to a retention obligation imposing the holding of a number of registered shares in the Company corresponding to 5% of the shares acquired, in application of the provisions of Article L. 225-197-1 II of the French Commercial Code (*Code de commerce*).

Benefits in kind

UNEMPLOYMENT INSURANCE

The Company may take out private unemployment insurance for the Chief Executive Officer (a policy type known by the French acronym GSC).

In addition, the Company may agree to offer him or her special compensation in the absence of payment by the private insurer should there be a waiting period or if the circumstances of his or her termination do not enable him or her to receive the coverage subscribed. This special compensation may be combined with the compensation due or that might be due as a result of termination of service.

HEALTH EXPENSES

The Chief Executive Officer benefits from the Company's coverage of his or her mutual or private health insurance.

OTHER BENEFITS

The Chief Executive Officer has the use of a company car.

The Company may also pay some or all of the Chief Executive Officer's relocation costs in first assuming his or her duties in the Group.

C. COMPENSATION POLICY FOR THE DEPUTY CHIEF EXECUTIVE OFFICER (AND ANY OTHER EXECUTIVE CORPORATE OFFICER)

The compensation policy for the Deputy Chief Executive Officer covers the principles and criteria used to determine, allocate and award the fixed, variable and extraordinary components of the total compensation and the benefits in kind payable to him. The policy is drawn up by the Board of Directors upon the recommendation of the Appointments and Compensation Committee and then submitted to the General Meeting of Shareholders. It remains applicable until modified.

The overall compensation paid to the Deputy Chief Executive Officer is calculated taking into account practices in the sector for companies comparable in size to Latécoère. This comparison is necessary to ensure that the Deputy Chief Executive Officer's compensation policy remains coherent and is vital for attracting and retaining key executives.

The Appointments and Compensation Committee also ensures that the overall compensation paid to the Deputy Chief Executive Officer is and remains balanced with regard to all of its component parts, fixed, variable, and long-term through performance shares.

The compensation policy applicable to the Deputy Chief Executive Officer seeks to motivate and reward his performance via a significant part subject to the fulfillment of financial and non-financial criteria reflecting the operational and strategic targets set by the Company, while at the same time remaining compliant with the corporate interest and the objective of value creation.

The annual variable compensation and the long-term compensation in shares seeks to bring the interest of

the Deputy Chief Executive Officer into line with the interests of the shareholders and stakeholders.

It is applicable to any and every other Executive Corporate Officer other than the Chief Executive Officer.

When the Deputy Chief Executive Officer is otherwise bound to the Company by an employment contract, he may receive compensation under the said contract that continues, whether or not in addition to his compensation as Deputy Chief Executive Officer. All

compensation, rights and benefits related to the employment contract are not covered by the provisions of Articles L. 225-37-2 and L. 225-100 II of the French Commercial Code and are therefore not subject to a vote at the Company's Shareholders' Meeting.

The Deputy Chief Executive Officer can receive compensation composed of a fixed annual payment, an annual variable payment and a long-term payment. Each of these component parts is set out below:

Compensation items	Form of payment	Maximum amount	Ceiling	Performance conditions	Performance indicators	Relative weight of the indicator in the corresponding compensation item	Ceiling applicable to the annual variable part by criterion
Annual fixed part	Amount paid in cash over calendar year N in 12 monthly payments	Amount set by the Board: maximum €275,000	Not applicable	no	Not applicable	Not applicable	Not applicable
Annual variable part	Amount paid in cash during the calendar year N +1 following approval from the General Meeting of Shareholders on the basis of an ex post vote	Amount of between 0 and the ceiling applicable to the annual variable part	X% of the fixed amount determined by the Board	yes	Group EBITDA	15%	175%
					Group free cash flow	7.50%	175%
					Zero base budget implementation rate	7.50%	175%
					Other financial indicators	30%	175%
					Individual criteria	40%	150%
					TOTAL ANNUAL VARIABLE PART	100%	165%
Long-term variable part	Delivery of Latécoère shares, subject to a performance condition, after a vesting period and a holding period of at least one year each	Number of shares set by the Board	100% of ceiling applicable to the annual compensation (fixed and variable)	yes	Revenue	33.1/3%	Not applicable
					EBITDA/Revenue ratio	33.1/3%	Not applicable
					Stock market performance (ratio change in the Latécoère share price/change in the aeronautical index)	33.1/3%	Not applicable
					TOTAL LONG-TERM VARIABLE PART	100%	

Annual fixed compensation

The fixed portion of the annual compensation is reviewed every year by the Board of Directors, further to an opinion from the Appointments and Compensation Committee. It remains unchanged unless the Board of Directors votes otherwise upon the recommendation of the Appointments and Compensation Committee, particularly in light of market conditions and any change over time in the Company's financial situation. It is payable in twelve monthly installments and calculated, if necessary, pro rata temporis. For the financial year, maximum annual fixed remuneration is capped at €275,000 for the fiscal year 2020.

Annual variable compensation

The variable portion of the annual compensation is meant to reflect the personal contributions of executive corporate officers to the development of the Company and the improvement of its earnings. It is balanced against the fixed portion of the compensation.

The assessment of the achievement of the performance target relating to the variable compensation paid to the Deputy Chief Executive Officer, takes into account financial and non-financial quantitative and qualitative criteria which are ambitious and linked to the strategy of the Group.

The variable portion is determined as a percentage of the fixed portion of the annual compensation, which may not exceed 165%, with a target of 100%.

The individual and financial targets applicable to the variable compensation paid to the Deputy Chief Executive Officer are set each year, for the year underway, by the Board of Directors further to a proposal made by the Appointments and Compensation Committee, by the end of each corporate fiscal year at the same time that the forward-looking budget is approved by the Group for the fiscal year in question, in order to take into account Latécoère's strategic objectives.

The Board of Directors may each year, if so proposed by the Appointments and Compensation Committee, change the individual and financial objectives based on quantitative and qualitative criteria in order to tailor them and make them more consistent with the Company's situation, outlook for development and trends in financial performance.

Each year, simultaneously with the finalization of the Company's parent company financial statements and consolidated financial statements for the previous closed fiscal year, the Appointments and Compensation Committee assesses the achievement by the Deputy Chief Executive Officer of the targets linked to the quantitative and qualitative criteria on the basis of the factual impacts and figures provided by the Finance Department and Senior Management. It then reports on its work to the Board of Directors which assesses the Deputy Chief Executive Officer's performance criterion by criterion and records the size of the variable portion of his annual compensation for the past fiscal year based on the percentage reflecting the satisfaction of the criteria.

The table below describes, for the fiscal year 2020, the criteria applicable to the variable portion of the annual compensation of the Deputy Chief Executive Officer:

Annual variable part	Ceiling as a percentage of the annual variable compensation	Criteria	Relative weight of the indicator in the corresponding compensation item	Explanation of the relevance of the indicators and detailed implementation methods
Financial performance criteria	60%	Group EBITDA	15%	These indicators show the quality of the financial and economic management of the Group, from various complementary angles. The financial performance of the Group is assessed through the indicators referred to over, recorded as at December 31 of each year. The Board is free to set the other financial criteria according to the environment and context in which the Group finds itself. The method consists of comparing the level of each of these indicators recorded as at December 31 of the past year (N) with that set by the Board of Directors for year N in the context of the Budget and acknowledging the corresponding discrepancy. A bonus is associated with each performance indicator. The size of the bonus is based on the discrepancy observed between the level of attainment and the Budget for the corresponding indicator. This is within a range of between 0 and a ceiling equal to 175% of the value of the annual variable part which can be awarded on the basis of the criterion in question, in accordance with a table set by the Board.
		Group free cash flow	7.50%	
		Zero base budget implementation rate	7.50%	
		Other financial criteria	30%	
Individual performance indicators*	30%	Industrial performance	10%	Via this criterion, the Board intends to ensure the industrial performance of the Group's business, in particular via the commercial success of the aeronautical programs entrusted thereto.
		Management and operational organization	10%	This criterion is aimed at monitoring the effectiveness of the Group's management with regard to its operating organization
		Commercial development and R&T	5%	With this criterion, the Board intends to ensure the implementation of the development strategy in connection with Group innovation.
		External growth and development	10%	The purpose of this criterion is to monitor the implementation of the strategic objective defined by the Board in terms of external growth.
		Management risk and opportunities	5%	The purpose of this criterion is to monitor management of the Group's risks and opportunities balance.

* At the start of each year, the Board sets the targets and allocates a weighting coefficient to each to reflect its priorities. The Board may without restriction make changes to these indicators based on the environment and the context. As of the finalization of the financial statements for the fiscal year N-1, the Board's decisions are made further to an examination of the recommendations made by the Appointments and Compensation Committee and after having allowed the Directors to hold discussions without any Executive Corporate Officer being present. The Board sets the performance level for each target and calculates the corresponding bonus from this. The Deputy Chief Executive Officer does not take part in the deliberations and does not cast a vote.

For confidentiality reasons connected to the Group's strategy and targets, the level of attainment required (target) for the quantitative criteria as well as the detail of the qualitative criteria, although pre-established in detail, cannot be disclosed. These criteria are always assessed taking performance on a Group level.

There is no provision for the option to ask for the

repayment of part of the annual variable compensation.

In accordance with Articles L. 225-37-2 and L. 225-100 of the French Commercial Code (Code de commerce), the components of the Deputy Chief Executive Officer's variable compensation for fiscal year N-1 shall be paid in year N only after the Ordinary General Meeting has approved (in an ex-post vote) the fixed, variable and

extraordinary items making up the total compensation and the benefits in kind paid or granted to the Deputy Chief Executive Officer for fiscal year N-1.

Payment on assumption of duties

The Deputy Chief Executive Officer may at the time of his or her hiring be awarded a signing bonus to make up for the loss of benefits he or she used to enjoy but must relinquish on joining the Company. The amount of such payment would be set by the Board of Directors, upon the advice from the Appointments and Compensation Committee.

The primary purpose of such a signing bonus would be to enable the Company to recruit experienced, competent executives in a highly competitive environment and give them more incentive to join the Group.

Compensation due or that might become due as a result of termination of service

A severance payment may be made to the Deputy Chief Executive Officer should he or she terminate his or her service at the Company's initiative or be forced to leave the Group.

No severance pay shall be made should the Deputy Chief Executive Officer terminate his or her service at the Company's initiative or be forced to leave the Group on the grounds of gross misconduct or negligence or if the Deputy Chief Executive Officer resigns that position and leaves the Group on his or her own initiative, unless the departure chosen by the Deputy Chief Executive Officer can be considered a forced departure in light of the surrounding circumstances.

Any severance payment potentially owed is subject to compliance with any performance conditions applicable to the beneficiary, assessed with regard to those of the Company.

Moreover, the payment may only be made with the prior acknowledgment by the Board of Directors that the conditions it imposed have been met.

The amount of the payment is calculated on the total compensation – fixed, variable and in kind – received during the fiscal year preceding that in which the beneficiary is obliged to cease serving as an Executive Corporate Officer and leaves the Group.

Compensation for the duties performed by a Director (formerly, Directors' fees)

If the Deputy Chief Executive Officer also sits on the Board of Directors, he or she does not receive any compensation on the basis of these duties.

Stock options and performance shares

The Deputy Chief Executive Officer is eligible for the performance-based incentive plans that the Company makes available to Group employees and executives, including stock subscription or purchase options and awards of shares conditioned on performance. Shares awarded for performance encourage those eligible to attain the Group's long-term objectives and create value that should flow to the shareholders. The potential awarding of performance shares to the Deputy Chief Executive Officer is decided after having

taken into account the fulfillment of a presence condition and of the ambitious economic and stock market performance conditions set by the Board of Directors on the basis of recommendations made by the Appointments and Compensation Committee, and to the acknowledgment of the fulfillment of these conditions by the Board of Directors on the basis of the work carried out by the Appointments and Compensation Committee. The awarding of performance shares to the Deputy Chief Executive Officer in year N, after acknowledgment of the fulfillment of attendance and performance conditions on December 31 in year N-1, are followed by a vesting period and a holding period, each of a minimum of one year.

If the executive leaves during the fiscal year, the presence condition is not then met on December 31 of year N-1 and no shares can therefore be allocated to him in year 0 on the basis of year N-1.

Each allocation of performance shares to the Deputy Chief Executive Officer is completed in consideration of his overall compensation, of earlier allocations, and of allocations completed in favor of other employees.

The Deputy Chief Executive Officer is subject, while still in office, to a retention obligation imposing the holding of a number of registered shares in the Company corresponding to 5% of the shares acquired, in application of the provisions of Article L. 225-197-1 II of the French Commercial Code (Code de commerce).

Benefits in kind

UNEMPLOYMENT INSURANCE

The Company may take out private unemployment insurance for the Deputy Chief Executive Officer (a policy type known by the French acronym GSC).

In addition, the Company may agree to offer him or her special compensation in the absence of payment by the private insurer should there be a waiting period or if the circumstances of his or her termination do not enable him or her to receive the coverage subscribed.

OTHER BENEFITS

The Deputy Chief Executive Officer can have the use of a company car.

The Company may also pay some or all of the Deputy Chief Executive Officer's relocation costs in first assuming his or her duties in the Group.

D. COMPENSATION POLICY FOR DIRECTORS

As part of the total compensation package for Board Directors authorized by the General Meeting, the terms on which payments are made to Directors are approved by the Board of Directors upon proposal by the Appointments and Compensation Committee.

The rules for compensating Directors were amended by the Board of Directors on December 5, 2018, principally to reflect their attendance records.

The way the annual fixed sum voted by the General Meeting is apportioned among the members of the Board of Directors and is decided at the full discretion of the Board of Directors, with the provision that the maximum that can be allocated to each member is

€50.000 per year, excluding special compensation for the committee chairs and the Lead Independent Director for their services.

By way of exception, no compensation shall be paid to (i) members of the Board of Directors who are employees or corporate officers of a shareholder of the Company or of any legal entity directly or indirectly associated with a shareholder of the Company, (ii) the representative of shareholding employees, (iii) the Chief Executive Officer, (iv) the Deputy Chief Executive Officers, or (v) the Chairman of the Board of Directors. It should be noted that the Chief Executive Officer and the Chairman of the Board of Directors each receives specific compensation, set by the Board of Directors, for their duties as senior executives.

The allocation voted by the Board of Directors primarily reflects the attendance by each member of the Board and the time the member devotes to his or her responsibilities, including any work done on the committees.

Indeed, Directors' compensation includes a fixed annual amount, calculated pro rata temporis for appointments which come to an end during the course of the fiscal year, to which a variable portion is added, awarded by the Board of Directors on the basis of attendance by Directors at meetings of the Board of Directors and of those committees of which they are members.

An exception to this rule is made for the chair of each committee, unless the latter is also the chair of the Board of Directors, who only receives, on the basis of

their duties within the committee, annual fixed compensation of €10,000 in addition to any compensation to which they may be entitled as a Director.

The Lead Independent Director receives a supplementary, yearly compensation set by the Board of Directors upon proposal by the Appointments and Compensation Committee.

In addition, some members of the Board of Directors may from time to time be given special assignments by the Board, for which they are compensated on a case-by-case basis.

Lastly, all members of the Board of Directors are entitled to reimbursement, upon submission of receipts, for travel expenses incurred in the performance of their duties.

The maximum overall annual compensation awarded to the Directors had been set at €480,000 by the General Meeting of Shareholders of June 29, 2015. No proposal to modify this amount will be made in 2020.

Valérie Boyer, director representing employees, has an employment contract for an indefinite term with the Company for the position of Program Manager in the Aerostructures division. Her employment contract provides for a notice period in accordance with the applicable legal and contractual provisions and may be terminated in accordance with the law and case law.

The terms of office of the directors are set out in section 3.2.1 under "Presentation of the directors".
