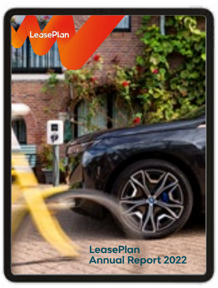
LeasePlan Annual Report 2022

What's next

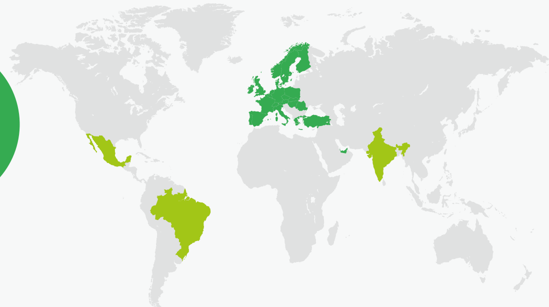


View Annual Report 2022 at www.leaseplan.com/corporate

LeasePlan 60 years

02 Overview

1.6m total serviced fleet



04 Performance highlights

€1,418 m Underlying net result

30.8% Underlying return on equity

28% of all new deliveries were EVs in 2022

08 CEO statement

"In 2022 the Car-as-a-Service market again proved to be one of the most innovative, sustainable and attractive sectors within the automotive industry, demonstrating its capacity to generate superior and sustainable value creation for all our stakeholders."

Tex Gunning, CEO, LeasePlan

12 Business

We are leaders in the Car-as-a-Service market. *In detail > page 14*

LeasePlan also has an online retail bank, LeasePlan Bank. *In detail > page 23*

25 Our strategy

LeasePlan will compete for the accelerated growth in our market by becoming the world's first fully digital Car-as-a-Service company.

28 Financial and business review

38 Sustainability

LeasePlan aims to achieve net zero emissions across all emission scopes, and drive progress across all material ESG issues.

88 Governance & leadership

Overview

At a glance[1]

Car-as-a-Service *In detail > page 14*

LeasePlan purchases, funds and manages new vehicles for its customers, providing a complete end-to-end service for a typical contract duration of three to four years.

1963
founded

28
countries served worldwide

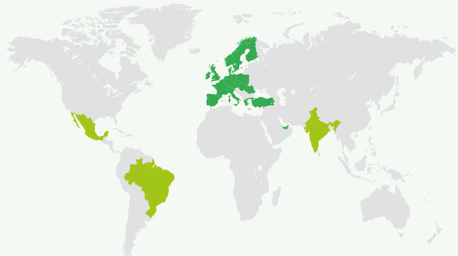
7,876[2]
employees

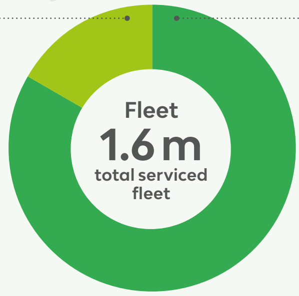
1.6 m
total serviced fleet

1.3 m
total funded fleet

Corporate SME, Private
market segments

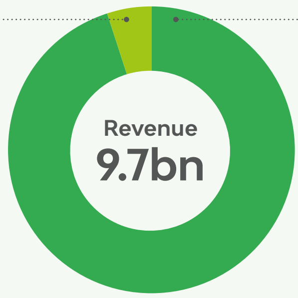
Global reach





0.2 m
vehicles in Rest of the World
12.5% of total serviced fleet

1.4 m
vehicles in Europe
87.5% of total serviced fleet



€300m
revenues in Rest of the World
3% of business

€9.4bn
revenues in Europe
97% of business

Our NextGen Strategy *In detail > page 25*

LeasePlan will compete for the accelerated growth we see in our market by becoming the world's first fully digital Car-as-a-Service company.

1. Continue implementation of NextGen LeasePlan
2. Growing our core business profitably
3. Drive operational excellence
4. Sustainability

Sustainability *In detail > page 38*

LeasePlan aims to achieve net zero emissions across all emission scopes, and drive progress across all material ESG issues.

1. **Protect the planet**
2. **Contribute to societal wellbeing**
3. **Be responsible**

1. *As at 31 December 2022*
2. *Like-for-like FTE incl. current assets held for sale excl. divestments (i.e. incl. LeasePlan Czech Republic, Finland and Luxembourg, excl. LeasePlan USA)*

Performance highlights 2022[3]

In 2022 the Car-as-a-Service market again proved to be one of the most innovative, sustainable and attractive sectors within the automotive industry, demonstrating its capacity to generate superior and sustainable value creation for all our stakeholders.

Financial

€1,418 m

Underlying net result *(EUR m)*

2022	1,418
2021	763
2020	406
2019	557

30.8%

Underlying return on equity[4] *(%)*

2022	30.8
2021	17.7
2020	10.3
2019	15.2

1.6 m

Number of vehicles[5] *(millions)*

2022	1.6
2021	1.5
2020	1.5
2019	1.5

Credit ratings[6]

Fitch: BBB+

Moody's: Baa1

S&P: BBB-

Sustainability[7]

28%

New EV activations[8]

2022	28%
2021	25%
2020	16%
2019	9%

113 g/km

Average CO_2 tailpipe g/km per vehicle funded fleet[9]

2022	113
2021	121
2020	126
2019	133

31%

Diversity[10] *(percentage of females in top three layers)*

2022	31
2021	31
2020	30
2019	30

Carbon footprint[11]

Scope 1: 4,980 tonnes CO_2-equivalent

Scope 2 (market-based): 4,552 tonnes CO_2-equivalent

Scope 3: 3,848,015 tonnes CO_2-equivalent

3. *As at 31 December 2022*
4. *Underlying RoE is based on last-twelve-month underlying net result and equity excluding the additional Tier 1 instrument. Including the AT1, RoE is 28.5% for 2022 and 16.6% for 2021*
5. *Total serviced fleet, adjusted for the divestment of LeasePlan USA*
6. *LT senior, Fitch (stable), Moody's (positive), S&P (Watch Positive)*
7. *The three non-financial indicators shown on the right were given limited assurance by our external auditors*
8. *Definition aligned to industry practices from vehicle orders to deliveries, specifically: operational lease deliveries (activations) of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles (passenger vehicles in EU22 countries, excluding LCVs, scooters and trucks). This KPI has received limited assurance from our external auditors*
9. *Figures include passenger vehicles (PVs) and light commercial vehicles (LCVs). The figures reported are on the basis of vehicle test (either WLTP or NEDC, dependent on the moment of matriculation). This KPI has received limited assurance from our external auditors*
10. *KPI for layers A, B and C of the organisation, as defined by the Talent to the Top Charter, to which we are a signatory. This KPI has received limited assurance from our external auditors*
11. *Also see* *pages 43 and 46*

CASE STUDY: 1

Celebrating 60 years of leading the Car-as-a-Service industry

In February 2023, LeasePlan celebrated its 60th anniversary. Throughout its history, LeasePlan has been on a remarkable journey, putting millions of cars on the road and playing a major role in creating the modern automotive leasing industry.

Along the way, the business has earned the trust and loyalty of thousands of customers and partners – all thanks to the hard work, talent and commitment of generations of LeasePlanners.

The 60-year anniversary was therefore the perfect chance to celebrate a major landmark with LeasePlan's loyal community. Accordingly, in 2022, the Marketing and Corporate Affairs teams began preparing for the festivities, which took place over the course of the six weeks leading up to LeasePlan's official 60th birthday on 23 February, 2023.

A global content campaign ran internally and on LeasePlan's social media, with highlights including a video series entitled 'The Moments That Made Us' and several articles exploring LeasePlan's journey from the 1960s to today – all with the help of LeasePlanners through the ages. A special book exploring the history of the business was also created, with copies distributed to every employee.

Meanwhile, many entities also ran local content campaigns and every country held its own LeasePlan birthday celebrations for current LeasePlanners. Some, like LeasePlan Netherlands, even hosted special events for LeasePlan alumni, long-service employees and long-standing customers.

One particularly popular activity was the Six Decades Dance, challenging LeasePlan teams worldwide to learn and film a dance routine set to some of the biggest hits of the past 60 years. The results were used to create a LeasePlan music video that showcased the unique talents and creative spirit that are so central to the LeasePlan culture.

CEO Tex Gunning: "Every single LeasePlanner, no matter where they come from or when they joined our journey, shares in our proud heritage, and I would like to acknowledge here the remarkable talent, entrepreneurship and commitment of generations of LeasePlanners and their vital contributions in bringing our company to where it is today. Simply put: we couldn't have done it without you."

Watch ...
The Moments That Made Us

Scan me

Value creation at LeasePlan

As a leading Car-as-a-Service company, LeasePlan creates value for a wide range of stakeholders. Our value creation model presents the most relevant areas of impact and highlights the inputs and outputs of our business model, as well as the related outcomes for stakeholders.

Input per capital

Human capital

Our 7,876 employees have deep Car-as-a-Service knowledge and experience that differentiates us in our markets. They drive our success and maintain our culture of service. We invest in our people to help them develop the skills they need to thrive in today's disruptive digital environment. Read more about our people strategy on *page 69*.

Social and relationship capital

Our high-quality customer base of Corporates, SMEs and Private individuals look to us to provide solutions that address their mobility needs. We also work closely with Original Equipment Manufacturers (OEMs) and other suppliers to deliver better, cleaner and greener propositions to the market, as well as with policymakers and NGOs to promote sustainability. Read more about our customers on *page 15* and about our public advocacy on *page 45*

Financial capital

Our diversified funding programme enables us to own the car and to provide car financing facilities for our customers. It also allows us to meet our funding and liquidity requirements and capture the associated full value chain of services in a vehicle's lifecycle. Global bond investors and banks provide us with funding in the form of secured and unsecured bonds and bank facilities. Retail depositors entrust LeasePlan Bank with their savings in the Netherlands and Germany. Our shareholders are also an important stakeholder in the funding of LeasePlan's business.

Manufactured capital

Our funded fleet of approximately 1.3 million vehicles has a diverse mix of models, brands and powertrains in 28 countries worldwide. It has a rapidly growing portion of Electric Vehicles with low and zero tailpipe emissions. EVs accounted for 28%[12] of all vehicle activations in 2022, compared to 25% in 2021. Read more about our fleet in the 'Business' section on *page 16*.

Intellectual capital

With 60 years' experience in the Car-as-a-Service market, we apply our institutional memory and leading digital fleet management capabilities to create value for customers as a leading market player.

Value creation process

Our mission is to provide '*What's Next*' in sustainable mobility – so our customers can focus on '*What's Next*' for them.

Digital
Implementing a digital business model, delivering digital services at digital cost levels

Car-as-a-Service
Growing our subscription-based mobility services

Developing new products and services
We develop new products to meet changing demand, such as our LCV delivery platform

Fleet and maintenance management

Purchasing and financing services

Insurance and damage handling services

High-quality used car sales

Fuel, accident and charging management services

Operational excellence
Leveraging our global scale and best practices

Sustainability
Ambition to achieve net zero tailpipe emissions in our funded fleet by 2030

Talent development
Developing skills and competencies for the digital era

12. *Of funded book value*

Output per capital

Human capital

- Competitive remuneration and benefits
- Skilled workforce capable of meeting the challenges of changing markets
- Diversity, Equity and Inclusion (DE&I) strategy to address needs of underrepresented groups, supported by a dedicated governance structure

Social and relationship capital

- Integrated mobility solutions for drivers and customers
- Low and zero emission mobility solutions for drivers and customers
- Strong partnerships, including our network of 70,000 independent RMT service providers
- Partnerships with global NGOs to accelerate adoption of zero emission mobility

Financial capital

- Gross profit of EUR 2.5 billion generated in 2022
- Net profit of EUR 1.9 billion generated in 2022
- Retail deposits of EUR 10.8 billion at year-end 2022
- Securitised notes of 2.3 billion at year-end 2022
- Bank lines c. EUR 3.1 billion
- Strong liquidity position and capital ratios
- Investment grade ratings LT senior as at publication date (S&P: BBB-, Fitch: BBB+, Moody's: Baa1)

Manufactured capital

- Highly diversified funded fleet
- Growing EV presence, accounting for 28% of all new vehicle activations in 2022
- Sharply declining orders for diesel passenger vehicles

Intellectual capital

- Continued digital transformation resulting in improved services and enhanced customer experience
- Development of EV expertise to support customers in their transition to zero emission mobility
- Smart data enabling insights leading to additional services for drivers and fleet managers, and improved pricing capabilities
- Best practices shared across the company globally to support operational excellence
- Strong brand, reputation and thought leadership in areas of expertise

Outcomes by stakeholder

Customers

- Hassle-free, digital car subscriptions for fleet managers and drivers
- Full package EV solutions
- SafePlan Zero programme for improved road safety
- Innovative eLCV proposition for growing e-commerce segment
- Improving customer satisfaction and net promoter score

Employees

- Job satisfaction (employee engagement plus score in 2022: 83.8%)
- Diverse and non-discriminatory workplace (31% of females in top three layers)
- Inclusive approach to employee benefits supported via updated Diversity, Equity and Inclusion strategy
- Enhanced digital skills and capabilities in the workforce (over 91,240 learning hours registered in our Learning Management System in 2022 and 8,894 hours on LinkedIn Learning)

Society

- Sustainable Procurement Charter in place establishing minimum ESG standards for all suppliers
- Anti-Money Laundering, Counter-terrorist Financing and Sanctions Policy and Standard in place
- Community Volunteering Standard to support volunteering and other charitable efforts globally

Environment

- Greenhouse gas emission reduction targets for Scope 1, 2 & 3 are determined and expected to be validated by Science Based Targets initiative (SBTi) in 2023
- Formal integration of climate-related risks into LeasePlan's strategy, governance, Risk Management Framework and disclosures
- Lower total net CO_2 emissions from Scopes 1, 2 and 3 (2022: 3.9 m tonnes of CO_2; 2021: 4.2 m tonnes of CO_2)
- Lower CO_2 emissions from fleet (2022: 3.8 m tonnes of CO_2; 2021: 4.2m tonnes of CO_2)
- Reduced air pollution via growing portion of EVs in funded fleet (2022: 15.4%, 2021: 11.1%)
- Improved CDP[13] score: 'B' (2021: 'C')
- Improved EcoVadis[14] score: 62/100 – Silver (2021: 60/100 – Silver)
- Improved Sustainalytics[15] Risk Rating score: 'Low risk' – 13.7 (2021: 'Low risk' – 15.9)

Investors

- Net result of EUR 1,935 million in 2022
- Underlying net result of EUR 1,418 million in 2022
- Return on equity of 30.8%[16]

13. *https://www.cdp.net/en*
14. *https://ecovadis.com/*
15. *https://www.sustainalytics.com/*
16. *Underlying RoE is based on last-twelve-month underlying net result and equity excluding the additional Tier 1 instrument. Including the AT1, RoE is 28.5% for 2022 and 16.6% for 2021*

CEO statement

In 2022 the Car-as-a-Service market again proved to be one of the most innovative, sustainable and attractive sectors within the automotive industry, demonstrating its capacity to generate superior and sustainable value creation for all our stakeholders. It is a market that is growing fast due to the structural shift to car subscriptions and electric mobility – and our proposed merger with ALD will ensure we are well positioned to take full advantage of this demand into the future.

Strong growth was delivered across all segments throughout 2022, with our underlying net result of EUR 1,418 million demonstrating that today's drivers want hassle-free car subscriptions more than ever before. Our added-value leasing services, such as insurance, also enjoyed high levels of uptake, and demand for our high-quality used cars was high throughout the year.

To capture the accelerated growth we see ahead, our NextGen LeasePlan strategy is to transform our analogue business model into a fully digital business model – delivering all our services digitally and at digital cost levels. In 2022 we made great progress towards this goal with the continued rollout of the backbone of our transformation – our Next Generation Digital Architecture (NGDA). Key highlights included the successful launch of NGDA 1.0 in the Netherlands, the folding in of additional markets to our My LeasePlan and MyFleet online service modules, the expansion of our automated LCV fleet management dashboard to additional European countries, and the launch of LeasePlan's NextGen online used car platform in 14 countries. When fully implemented, we are confident that NGDA will reshape the mobility experience for drivers and fleet managers, as well as leading to significant cost and efficiency savings.

2022 was also the greenest year in our history as we continued to implement our 'Driving to Zero' ESG strategy. A major highlight was the excellent progress made towards achieving net zero tailpipe emissions from our funded fleet by 2030, with EVs now making up 28% of all new vehicle deliveries in 2022. We also took our carbon reduction ambitions to the next level by submitting our near- (2030) and long-term (2050) science-based targets (SBTs) for validation to the Science Based Targets initiative. LeasePlan's SBTs not only cover the entirety of our greenhouse gas emissions, but also provide a clear roadmap for how we will reduce our footprint in the years to come, in line with Paris Agreement goals.

As part of our ESG agenda, we also strengthened our commitment to diversity, equity and inclusion – introducing an LGBTQI+ friendly parental leave policy, as well as a new 'Holiday Swap' initiative, that enables LeasePlanners to exchange national public holidays for holidays that more closely align to their own beliefs or preferences. Meanwhile, we continued enhancing our overall governance and risk management activities. This included more clearly defining the role and responsibilities of the three lines, introducing a Climate & Environmental Committee to ensure we have greater visibility of the potential impact of climate change on the business, and introducing ESG-linked KPIs into the variable remuneration targets of Executive Committee members.

CEO statement

continued

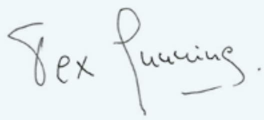
Of course, in addition to 'business as usual', 2022 was also the year that we prepared for the merger between ALD Automotive and LeasePlan. Excellent progress was made as the best talents in the industry worked together to prepare the merger at both corporate and country level. This included engagement with relevant regulatory authorities, and towards the end of the year, we were pleased to announce that ALD had obtained all expected merger control clearances. The last clearance was obtained from the European Commission in November, subject to the divestment of ALD subsidiaries in Portugal, Ireland and Norway[17], and of LeasePlan subsidiaries in the Czech Republic, Finland and Luxembourg.

Also, on the M&A front, in June we announced the merger of LeasePlan USA with Wheels Donlen. With its increased scale and investment firepower, the new business is set to thrive within the unique US leasing market and accelerate the future of mobility for American drivers. We look forward to working with the new company as we continue to serve customers in the US through our international Cooperation Agreement.

It only remains for me to say that I am very proud to be part of LeasePlan as we celebrate our 60th anniversary, and in particular what we have achieved with the dedicated support of our current shareholders since 2016. Together, we have not simply managed the business – we have developed and started to implement a compelling vision for the future – NextGen LeasePlan. This is a testament to the dedication, innovation, resilience and talent of LeasePlanners around the world, as well as the support of customers, partners and suppliers.

Looking forward, we are very excited about our proposed combination with ALD. 2023 will mark an important next chapter in our history, but one that we believe will also be the most exciting.

Sincerely,



Tex Gunning
CEO, LeasePlan Corporation N.V.
Amsterdam, the Netherlands

17. *In Norway, with the exception of NF Fleet Norway, a company jointly owned by ALD and Nordea*

CASE STUDY: 2

'Reassurance, convenience and control': Capturing the flexible mobility market

Drivers are increasingly seeking more flexible options for getting from A to B.

These solutions are expected to account for 20% of the mobility market by 2025 – and with the FlexiPlan product now available in 19 countries, LeasePlan is more than ready to meet this demand.

"The name speaks for itself," says Pedro Pessoa, Global Managing Director, Flexible Solutions. "With FlexiPlan, we provide the same high-quality leasing services, but under more flexible terms than our standard product."

A typical flexible contract lasts from one month to two years and allows customers to return their car with just a few days' notice and no early termination fees. "It's perfect for clients who aren't sure how long they need a vehicle for," Pedro explains. "FlexiPlan also helps overcome the disruption we've seen in automotive supply chains by covering the mobility needs of customers awaiting new vehicle deliveries."

What's more, this model gives customers a chance to test the waters of electric mobility. "With a flexible contract, drivers and businesses can try out EVs without a four-year commitment," Pedro points out. "We believe FlexiPlan can help us convert some of our biggest clients to zero emission driving, in line with our 2030 ambition."

The segment is hitting new heights, with the global number of Flexi Fleet vehicles up from 34,000 in 2021 to more than 60,000 in 2022. "Across all our FlexiPlan countries, we've seen a very impressive growth rate," Pedro confirms. "In Italy, for instance, the fleet size nearly doubled during 2022, from 5,500 vehicles to more than 10,000. Other countries like Spain, the UK, Germany, the Netherlands and Greece are also showing strong FlexiPlan growth."

Even if Pedro expects the rate to slow as the new car shortage eases, he's confident that there's plenty more growth to come. "Now more than ever, flexibility is highly prized by our customers, which makes our flexible driving solutions an extremely valuable proposition. Ultimately, we're determined to provide even more drivers with the reassurance, convenience and control that FlexiPlan brings!"

"We believe FlexiPlan can help us convert some of our biggest clients to zero emission driving, in line with our 2030 ambitions."

Pedro Pessoa
Global Managing Director, Flexible Solutions

Business

Business

With a history of 60 years, LeasePlan's mission is to provide *'What's next'* in sustainable mobility so our customers can focus on *'What's next'* for them.

LeasePlan is a global leader in Car-as-a-Service, with approximately 1.6 million vehicles under management in 28 countries. LeasePlan purchases, funds and manages new vehicles for its customers, providing a complete end-to-end service for a typical contract duration of three to four years. LeasePlan also has an online retail bank, LeasePlan Bank, which operates in the Netherlands and Germany, and which is an important source of funding for its fleet.

The strategic plan for our business encompasses vision, people and culture.

Vision

Our vision is to become the world's first fully digital Car-as-a-Service company. To achieve this we have developed our NextGen strategy. Read more about our **NextGen Strategy** on *page 25*.

People

We believe 'you cannot grow a business, you can only grow people who can grow a business'. Our people strategy helps our employees build the skills they need for the digital age. Read more about our **people strategy** on *page 69*.

Culture

LeasePlan has a unique culture of service and care towards our customers and each other, which we have continuously strengthened over the past 60 years. We are also committed to promoting progressive values, especially diversity, inclusion and sustainability. Read more about our **culture and ethics** on *page 65*.

On the following pages we outline our main activities and business model. For a summary of the inputs, outputs and outcomes of these business activities for our key stakeholders, please refer to 'Value creation at LeasePlan' on *page 06*.

Car-as-a-Service

LeasePlan's resilient and cash-generative Car-as-a-Service business provides subscription-based mobility solutions with integrated services.

LeasePlan creates value by turning vehicles into a service for customers who want the benefit of passenger vehicles or light commercial vehicles (LCVs) without the hassle of owning them. Based on fleet size, we are a global market leader in the growing Car-as-a-Service market. We manage approximately 1.6 million vehicles, of which we own around 1.3 million, across 28 countries.

Business model

Our resilient and cash-generative Car-as-a-Service business provides subscription-based mobility solutions with integrated services. We offer Corporates, SMEs and Private individuals a complete end-to-end service for a typical contract duration of three to four years. Ownership of the vehicle, which is made possible through our diversified funding programme, is inherent to our business model and allows us to capture the associated value chain of services throughout the entire vehicle lifecycle.

LeasePlan's services include vehicle procurement; vehicle financing; repair, maintenance and tyre (RMT) management; damage handling and insurance; charging solutions for EVs; fleet management and consulting; and fuel, accident and rental management. We offer these services through an integrated operating model that enables us to leverage our scale and implement best practices across countries, while generating multiple, contractually recurring revenue streams.

LeasePlan's value chain

Purchasing services	Financing services	Fleet management services	Maintenance management services (RMT)	Insurance and damage handling services	Fuel, accident and charging management services	High-quality used cars
Vehicle purchasing	Financing solutions with or without services attached	Best-in-class fleet management software and consultancy services	Access to large network of third-party service providers for repair, maintenance and tyres	Third-party motor insurance coverage and own damage insurance. Accident management and claims handling services	Fuel management, roadside assistance, vehicle replacement, access to large network of third-party providers	Used-car sales and re-leasing

After purchasing, funding and managing vehicles for our customers, we maximise the value of vehicles coming off contract by selling them or, increasingly, re-leasing them. This means our fleet turns over relatively quickly and, by design, contains only the latest and cleanest vehicle models.

In the long term, our aim is to fully digitise our business model, to deliver digital services at digital cost levels and capture the accelerated growth opportunities we see ahead of us. This is the core aim of our NextGen LeasePlan strategy. To read more about this strategy, please refer to 'Our strategy' on *page 25*.

Competitive advantages

LeasePlan's Car-as-a-Service business benefits from the following competitive advantages:

i. Global scale and local leadership

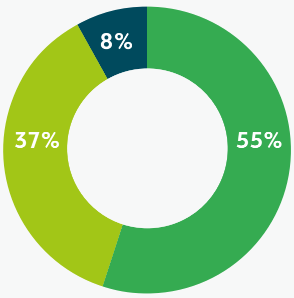
There are approximately 1.6 million vehicles in our serviced fleet across 28 countries. Our scale and broad geographic presence enable us to service local, regional and international customers.

ii. Diversified customer base

Our diversified customer base comprises Corporates with a fleet of more than 25 vehicles (55% of funded fleet); SMEs with a fleet of 25 or fewer vehicles (37% of funded fleet); and Private individuals (8% of funded fleet). Our customer base is also diversified across industries and countries, with no industry representing more than 25% of the fleet.

Customer base by segment

Total funded book value



Corporates: 55%

The majority of our fleet is with international and domestic corporations leasing more than 25 vehicles. These are mostly large and sophisticated organisations with extensive fleet management needs and a growing interest in zero emission mobility, LCVs for e-commerce deliveries and driver safety.

SMEs: 37%

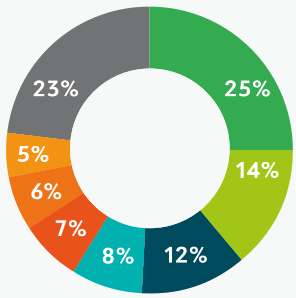
Our SME customers (25 or fewer vehicles) require products that are easy to access and delivered quickly. We service SMEs with a range of standardised products and services that meet local standards and industry-specific needs. We reach these customers via both direct sales and indirect sales through dealers, banks, brokers and affiliates that either generate referrals to LeasePlan or 'white label' our products and services. The SME segment is growing fast and has low penetration rates.

Private individuals: 8%

LeasePlan offers standardised products and services to private customers, as well as to individual employees via their employer. We reach these customers through our omnichannel distribution strategy. Private individuals generally look for transparent products, quick access to a vehicle, reliable service offerings and competitive pricing. The private leasing market is relatively new but has become increasingly popular in some countries such as France, Italy, the Netherlands, Spain and the UK.

Corporate customers by industry

Total funded book value

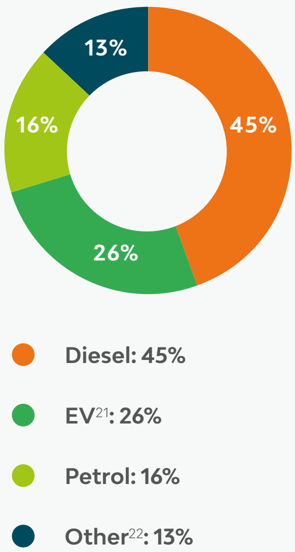


- **Services: 25%**
- **Capital goods: 14%**
- **Consumer durables: 12%**
- **Transport & Logistics: 8%**
- **Construction & Infrastructure: 7%**
- **Technology: 6%**
- **Chemicals: 5%**
- **Other: 23%**

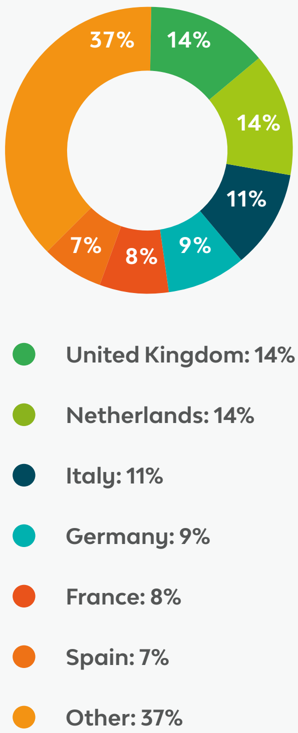
iii. Diversified fleet across geographies and brands, with a growing portion of EVs

We manage mainly passenger vehicles (79%[18]) and LCVs (20%[19]). Our fleet is well diversified in terms of types of vehicle, countries of registration, brands and models, with no country representing more than 14% of our total funded fleet.[20] The geographic diversity of our fleet allows us to focus our investments and limit exposure to region-specific risks.

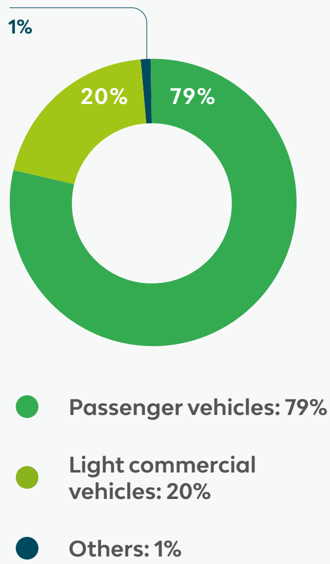
Breakdown of fleet by engine type
(as at 31 Dec 2022)
Total funded book value



Funded fleet spread across geographies
Total funded book value



Fleet by split
Total funded book value



Electric vehicles

LeasePlan has set itself the ambition of achieving net zero tailpipe emissions from its funded fleet by 2030 in support of the Paris Agreement and UN Sustainable Development Goals. Electric Vehicles (EVs) accounted for 28%[23] of all new vehicle activations in 2022, compared to 25% the previous year. Our transition to EVs is directly supported by our diversified funding strategy, specifically our highly successful Green Bond and Green Finance Frameworks, through which EUR 3 billion in five-year fixed rate notes was raised in 2019-2022. To further support the EV transition, LeasePlan provides a range of EV charging services, such as end-to-end services for home chargers, charge cards for public charging and expert advice to build workplace charging infrastructure at our clients' premises. We offered these charging services in 25 countries in 2022. To read more about our transition to zero emission mobility, please refer to 'Protect the planet' on *page 43*.

18. Of funded book value as at 31 December 2022
19. Of funded book value as at 31 December 2022
20. Total funded book value as at 31 December 2022
21. The definition of EV in our fleet numbers has been updated to match the definition used in our EV activation numbers and includes all Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles
22. Including MHEV and alternative fuel types
23. New orders of battery EVs and Plug-in Hybrid EVs (private vehicles and LCVs), excluding USA

CASE STUDY: 3

Putting the pedal to the (electric) metal with EV test drive events

Sometimes, a simple test drive is all it takes to win over an EV sceptic.

That's the logic behind several LeasePlan test drive days, giving curious customers a chance to put the latest EV models to the test.

In March, LeasePlan Austria joined forces with BMW to welcome Corporate and SME clients to its EV test drive event. The new i4 was the star of the show, with drivers keen to get a first look – and to get behind the wheel.

"People were really interested in all the BMWs on show," says Florian Erdle, Head of Marketing & Communications at LeasePlan Austria. "Events like this are a great chance to showcase the latest and best EV models out there – supporting LeasePlan Austria's high rate of new EV orders."

In LeasePlan Norway, where EVs already make up an impressive 60% of new orders, a internal test drive event was organised for all LeasePlanners in April.

"We invited 40 colleagues who were introduced to 25 different EV models," says Ellen Moreite, Head of Marketing & Communications at LeasePlan Norway. "The goal was to help our employees explain the benefits to customers in turn. We took the cars for a spin around a planned route – with our most exciting stop being NIO's first European battery-swap station."

Event sponsorship is also a powerful advocacy tool, as LeasePlan Turkey learned in September. "We were the main sponsor of TEHAD's Electric and Hybrid Driving Week," explains Eylül Tüzün, Marketing Specialist. "We invited VIP clients for a special EV deep dive programme. It was a great chance to showcase our EV leadership in the local leasing market, and of course to promote the power of EVs.

Thanks to LeasePlan's test drive events, drivers continue to see how fun and easy it is to cut emissions and go electric, supporting our ambition to achieve net zero tailpipe emissions by 2030.

"Events like this are a great chance to showcase the latest and best EV models out there."

Florian Erdle

Head of Marketing & Communications, LeasePlan Austria

Diesel

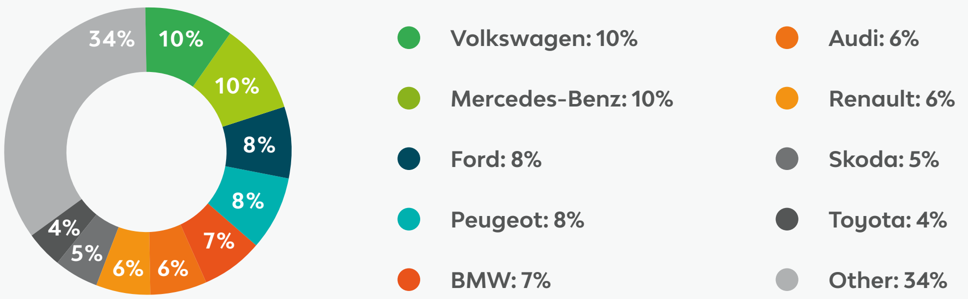
Diesel orders continued to decline in 2022, reflecting a noticeable shift in customer preferences, as demand for EVs increased across markets, especially in Europe. The total share of all types of diesel vehicles in our funded fleet fell from 50% in 2021 to 45% in 2022[24]. LeasePlan only operates the latest and cleanest diesels (almost exclusively Euro VI models), which have lower CO_2 and NOx emissions than most petrol vehicles and are not currently subject to legislative restrictions. For more information, see *page 75* of 'Risk Management and Compliance'.

Independence

LeasePlan is independent from any OEM and offers a wide variety of makes and models to its customers at attractive price points. At year-end 2022, no single vehicle brand accounted for more than 10% of our total funded fleet book value.

Fleet diversified across a variety of brands

Total funded book value



Unique funding structure

LeasePlan has a uniquely diversified funding model, with funding streams across various investment-grade bond programmes, securitisation programmes, bank lines and retail deposits from LeasePlan Bank. These provide us with access to a diverse and flexible range of funding sources. We have a banking licence and in 2022 we continued to adhere to the capital requirements set by the European Central Bank (ECB), following LeasePlan's qualification as a significant institution under the relevant European banking regulations.

24. *Funded book value as at 31 December 2022*

Market trends

The Car-as-a-Service market is on the verge of rapid acceleration, as it is reshaped by three long-term trends:

1. Ownership to subscription

LeasePlan pioneered subscription models for vehicles for the Corporate segment in the 1960s, when companies first began outsourcing fleet management as a way of focusing on their core businesses and reducing financial risk by transferring the ownership of the vehicle to a specialist provider. The ongoing increase in customers choosing subscription over ownership models has continued since then, and is now being accelerated by:

- Continued growth in fleet outsourcing among large corporates with an international presence, and attractive opportunities with smaller/domestic corporates and the public sector
- Increased demand for last-mile delivery and service-related vehicles (LCVs) in the Corporate and SME segments, accelerated by the lasting impacts of the Covid-19 pandemic
- Increased desire for hassle-free car subscriptions among SME and Private customers and continued conversion of financial leasing to operational leasing
- Opportunities in 'direct-to-employee' Car-as-a-Service solutions that can be accessed by players with an established corporate segment presence
- Opportunities in the mobility provider segment (e.g. ride hailing, car sharing), with many players requiring fleet management capabilities to achieve scale
- Ongoing shift to EVs (see below), with customers outsourcing EV residual value risk to specialist providers such as LeasePlan

2. Zero emission mobility

While accelerated growth and new technologies are transforming LeasePlan's markets, pressure to act against the threat of climate change has intensified. As a result, many companies have begun to decarbonise their businesses and are setting net zero targets, including for their fleets. EV adoption among corporates is therefore rising sharply, and has reached a tipping point in some markets where EV costs have already reached parity with internal combustion engine (ICE) vehicles[25]. Serving an ever greater part of the corporate market, car leasing companies have become key actors in the adoption of zero emission vehicles by offering 'full package solutions' and enabling customers to mitigate residual value risks associated with new EV technologies. LeasePlan is leading the transition to zero emission mobility and remains committed to the ambition to achieve net zero tailpipe emissions from its funded fleet by 2030 (read more in the 'Sustainability' section on *page 38*).

3. Digitalisation

The digital revolution is accelerating the shift from car ownership to hassle-free car subscriptions as digital technologies make it easier and more affordable to offer subscriptions at scale. In this context, customers expect an enhanced digital customer service experience, delivered at digital cost levels, with a focus on self-service, automation and direct processing. The shift to digital subscriptions also enables LeasePlan to create new online businesses based on its core competencies, and to digitally integrate new services from across the broader Car-as-a-Service ecosystem into a single plug and play mobility platform.

25. According to our Car Cost index: https://www.leaseplan.com/corporate/news-and-media/newsroom/2022/13-12-2022

Our organisation

Our organisation in 2022

Operating in 28 countries, LeasePlan is managed as an integrated multi-local business with country operations supported by a number of corporate functions.

Country managing directors are further supported by four regional cluster leads, who act as a first point of contact and provide strategic guidance and support. The management teams at the country level supervise local operations and implement the strategy locally.

LeasePlan operates an integrated model in key markets that enables it to leverage scale and best practices and achieve operational excellence to deliver optimal service at the lowest possible cost.

LeasePlan identifies Europe and Rest of the World as reportable segments.

Business service functions

Commerce

Commerce focuses on attracting new customers, retaining existing customers, optimising our range of services and increasing the number of products purchased. It delivers customised fleet management advice to our customers on topics such as sustainable fleet management (e.g. CO_2 emission reductions), enhancing driver safety and satisfaction, and reducing total cost of ownership. Commerce also creates partnerships with leading OEMs, including new EV entrants like Lightyear and NIO, so we can offer our customers the latest vehicles on the market.

Procurement

Procurement acquires products and services across LeasePlan's country operations, ensuring delivery of the most competitive, highest-quality products and services. Leveraging LeasePlan's global footprint, our strategically selected supply base ensures the mobility of LeasePlan customers and meets their evolving fleet needs.

Insurance

Insurance offers insurance coverage and damage services. In most cases, insurance cover is an integral part of our fleet management proposition. Drivers are supported by accident management services such as roadside assistance, replacement vehicles and repairs through our preferential network of independent service providers, as well as claims handling services. At year-end 2022, LeasePlan insured approximately 991,000 vehicles (2021: 954,000) worldwide.

Repairs, Maintenance & Tyres (RMT)

RMT supports our customers with a full range of services, including repair and maintenance of vehicles and the replacement of tyres. LeasePlan offers customers access to a large network of more than 70,000 independent service providers at competitive rates. RMT is organised both globally and in regional clusters. Globally, the function is also responsible for monitoring market-specific needs, data analytics and telematics.

Remarketing

Remarketing provides end-of-contract processes and services relating to the sale of used LeasePlan vehicles. Core activities include the transport, inspection and preparation of end-of-contract vehicles; the assessment of wear and tear damages; and the sale of vehicles to traders, consumers and drivers or their re-lease via Used Car Lease. In 2022, Remarketing implemented a new vehicle, lead and order management system, as well as a new platform complete with vehicle listing page, vehicle detail pages, e-commerce flow and finance calculator.

Corporate functions

Group Audit

Group Audit provides audit assurance and advice that adds value to LeasePlan's operations. It helps LeasePlan accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Audit is recognised as the third line in LeasePlan's risk management.

Business Excellence

Business Excellence supports central and local entities in optimising processes to improve service levels and achieve sustainable efficiencies that enable LeasePlan to deliver services at scale. It leads global projects to analyse and improve performance, and facilitates training and best practice sharing to create a culture of continuous improvement.

Company Secretariat

The Company Secretariat provides meeting logistics support for the Managing Board, Executive Committee and Supervisory Board. Furthermore, it advises, guides and steers the Managing Board, Executive Committee and Supervisory Board on corporate law and corporate governance-related matters.

Corporate Affairs & Sustainability

Corporate Affairs & Sustainability aims to enhance LeasePlan's brand and reputation among all key stakeholder groups via a consistent company positioning. It is responsible for media relations, internal communications, social media and international public affairs partnerships. It is also responsible for formulating and coordinating the roll out of LeasePlan's 'Driving to Zero' ESG strategy.

Digital

LeasePlan aims to become the world's first fully digital Car-as-a-Service company, delivering digital services at digital cost levels. LeasePlan Digital supports this objective by helping to transform our company to a fully digital business model, including through the development of our Next Generation Digital Architecture.

Finance

Finance oversees LeasePlan's financial budgeting and planning, reporting, consolidation and administration. It is responsible for consolidating and reviewing financial results for management information and external reporting, including to the central bank authority and other regulators. Finance is also responsible for tax management, financial reporting, financial shared services and the internal management of non-financial data.

Group Asset Management

Group Asset Management centrally supports, monitors and steers the entities with regard to the value of their fleets. It enables entities to predict and optimise asset values and implement best practices from across the Group. Group Asset Management also oversees a dedicated 'EV Centre of Expertise' to provide specialist guidance and support to the LeasePlan entities in their transitions to zero emission fleets.

People & Performance

LeasePlan believes that an effective, diverse workforce contributes to well-balanced decision-making and innovation. People & Performance therefore supports the growth, performance and development of our people, increases digital competencies across the organisation and builds upon our ethical, inclusive and progressive culture through our Diversity, Equity and Inclusion strategic priorities.

Legal

Legal provides in-house legal advice. It aims to avoid and mitigate legal risks by promoting compliance with applicable laws and regulations. Legal acts as a professional business partner, enabling management, the business and other departments to make informed business, corporate or strategic activity decisions that entail legal risks.

Marketing

Marketing develops, governs and strengthens the global LeasePlan brand. It provides the strategic framework for our brand identity and positioning, products and services, and for our commercial approach to customers and drivers. Marketing also supervises local marketing activities and identifies best practices for adoption elsewhere in the organisation. In addition, it supports our commercial activities and develops new value propositions.

Corporate functions continued

Compliance

Compliance operates within the context of LeasePlan's broader Risk Management Framework. The Compliance function proactively informs, supports and advises the business on compliance-related risks. Compliance is responsible for supervising the exercise of compliance risk management across LeasePlan and for promoting business behaviour that is consistent with LeasePlan's mission, vision and strategy. The Compliance function is responsible for the completeness of the policies developed to manage compliance-related risks, and for overseeing management's efforts to ensure that practices are in line with these policies.

Regulatory Affairs

Regulatory Affairs is positioned within the reporting line of the Chief Legal Officer and Company Secretary, supporting the various departments across LeasePlan and promoting Group compliance with applicable supervisory and regulatory requirements. Regulatory Affairs is responsible for banking supervision and related regulations. It is also responsible for horizon scanning and for monitoring developments, trends and changes in the regulatory environment and translating those into strategic goals and actions. Regulatory Affairs acts in a strategic and tactical manner and maintains close daily contact with departments carrying out operational regulatory work, ensuring a coordinated approach internally and towards regulators.

Service & Quality

Customer and driver satisfaction is central to our ongoing transformation into a fully digital Car-as-a-Service company. Our Service & Quality teams in 28 countries provide ongoing support during the entire customer lifecycle, ensuring that the needs of our customers and drivers are met and that we continuously improve our service delivery.

Risk Management

Risk, together with Internal Audit and Compliance, comprise the control functions as described in the EBA Guidelines on Internal Governance. The effectiveness of risk management and internal control is vital to LeasePlan's functioning and closely linked with the strategic objectives. This includes compliance with applicable Capital Requirement Regulation (CRR) and associated EBA guidelines and ECB expectations. LeasePlan is governed by a two-tier board structure comprised of a Supervisory Board and a Managing Board. The core risk management responsibilities are embedded in the Managing Board. Using COSO ERM as a reference model, LeasePlan works with a Risk Management Framework that links the various building blocks of the risk process and risk governance structure. LeasePlan's main risk management activities include risk identification, Risk Appetite setting, risk and control assessment, promoting a risk culture, as well as providing a feedback link to the overall strategy via the measurement, monitoring and reporting of risks.

Strategic Finance & Treasury

The Strategic Finance & Treasury departments operate in unison to develop and execute a funding strategy for the Group. Operationally, this involves the mobilisation of a highly diversified funding base that includes unsecured debt capital markets funding, securitisations, bank funding and a non-market dependent deposit platform for retail depositors through LeasePlan Bank. As such, this allows LeasePlan to meet the funding needs of its worldwide subsidiaries while making sure that all regulatory obligations in relation to liquidity are also met.

Strategy & Transformation

Strategy & Transformation establishes and continually develops LeasePlan's business strategy, and is responsible for the execution of major, business-wide transformation programmes to help implement the strategy in conjunction with other departments. Strategy & Transformation also leads selected large business development initiatives and structures and drives strategic project portfolio management.

LeasePlan Bank

Our internet savings bank creates value by offering straightforward and transparent savings products to help customers achieve their goals.

LeasePlan Corporation operates LeasePlan Bank as part of its unique, independent funding platform. It has a banking licence and has been supervised by the European Central Bank (ECB) since January 2021, following LeasePlan's qualification as a significant institution under European banking regulations.

Business model and market

LeasePlan Bank is a fully online savings bank founded in 2010 that offers flexible saving accounts and term deposits to retail customers in the Netherlands and Germany. With only one office and no expensive network of retail branches, it keeps costs low and offers customers attractive interest rates on their savings.

Our Flexible Saving product offers flexible interest rates with no fixed term, so the accumulated savings are always available and no minimum balance is required. The Deposit Saving product is a fixed-rate deposit for a fixed period that requires a minimum balance of EUR 1,000.

Our core banking platform operates via a cloud-based Software-as-a-Service solution which enables us to reduce our IT complexity, while improving the flexibility, reliability and efficiency of LeasePlan Bank's services.

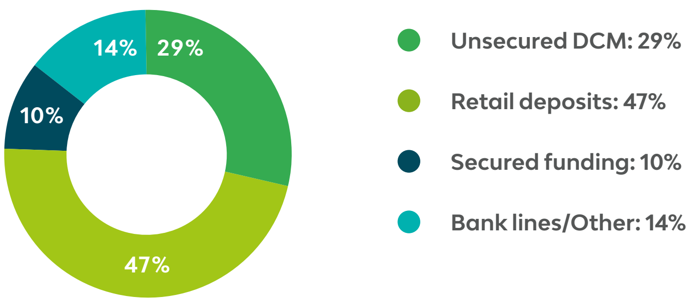
2022 was another successful year for LeasePlan Bank, with EUR 10.8 billion in total managed savings at year-end 2022.

As at 31 December 2022, LeasePlan Bank had approximately 136,000 retail accounts in the Netherlands (2021: 139,000) and 73,000 in Germany (2021: 72,000), with total savings deposits of EUR 7.6 billion (2021: EUR 6.85 billion) and EUR 3.2 billion (2021: EUR 3.39 billion) respectively.

€23bn

Unique independent funding platform

Funding mix by December 2022



CASE STUDY: 4

Introducing Alex: a digital employee making a real-world impact

Repair, Maintenance & Tyres (RMT) is a prime enabler of delivering digital services at digital cost levels, and LeasePlan is hard at work to deliver exactly that.

"Since 2020, we've been developing a next-generation machine learning robot to automate maintenance approvals," explains Job Visser, Artificial Intelligence (AI) Engineer. "Its name: Alex!"

Using machine learning, Alex handles the bulk of straightforward maintenance requests, reducing costs for LeasePlan, saving time for RMT suppliers and leaving LeasePlanners free to focus on more specialised requests.

When a request for maintenance comes in, Alex assesses the likelihood of approval, with the process then automated according to thresholds defined by the business. "Above 95% likelihood, the request is automatically approved, up to a EUR 500 limit," Job continues. "Under 5%, the request is automatically rejected. For anything in between, the request goes to a LeasePlanner for manual review – with the outcome being fed back to Alex, so that they automatically learn for next time."

There's a second string to Alex's bow: life expectancy. "When requested, Alex will also determine when components like brake pads need to be replaced," says Job. "Beyond that, we're investigating 'proactive maintenance', where our AI model triggers the request rather than the driver or supplier."

After a year-long pilot, Alex started automating approval decisions in Austria and Greece in 2022. By the end of August, 13% of all maintenance jobs in Austria and 52% in Greece had been automatically approved. Alex is now running in eight other entities, with LeasePlanners using its predictions as expert advice.

"We'll soon flick the automation switch for Alex in other countries, too," Job says. "It's really exciting: after some onboarding – much like a human employee! – the model can now train itself. Alex is already making a powerful impact on LeasePlan's business efficiency, not to mention helping our RMT suppliers and colleagues. Best of all, this is just an early step towards fulfilling the potential of machine learning for our entire fleet operations."

"Alex is already making a powerful impact on LeasePlan's business efficiency, not to mention helping our RMT suppliers and colleagues."

Job Visser
Artificial Intelligence (AI) Engineer

Our strategy

NextGen LeasePlan

The Car-as-a-Service market is one of the most innovative, sustainable and attractive sectors within the automotive industry. LeasePlan has a once-in-a-generation opportunity to efficiently unlock the huge growth opportunity ahead through the implementation of a fully digital business model.

Our strategy is therefore to become the world's first fully digital Car-as-a-Service company – delivering all services digitally and at lower cost than our competitors. To achieve this, we work with four strategic priorities, each of which is supported by a detailed implementation roadmap.

For more information on the market trends driving growth in our industry, please see *page 19*.

01. Continue implementation of NextGen LeasePlan – our fully digital business model

Key features of our digital business model are:

- Ability to scale rapidly, without adding significant cost, through a fully digitised, standardised and global product, service and process architecture (our Next Generation Digital Architecture – NGDA)
- Enhanced digital customer service experience, delivered at digital cost levels, with a focus on self-service, automation and direct processing
- Broad product and service offering, with LeasePlan's core offering greatly expanded through innovative partnerships across the expanding Car-as-a-Service ecosystem
- High-quality data available for real-time decision-making and product and process optimisation

LeasePlan's ability to capture the growth we see ahead of us is inextricably linked to our ability to deliver better digital services at lower cost than our competitors. Achieving this requires nothing less than the complete digitisation of our business model, powered by a new IT architecture: our Next Generation Digital Architecture (NGDA). Starting with three frontrunner countries, the NGDA is being deployed using a phased approach, with each entity going through a rigorous cycle of preparation, migration and benefits realisation. When complete, LeasePlan will be able not only to compete more effectively in our core business areas but also to create new digital businesses based on our core competencies and to digitally integrate new services from across the broader Car-as-a-Service ecosystem.

LeasePlan is already using NGDA components in many countries for the benefit of customers – for example, the industry-leading MyFleet and LCV Fleet Manager platforms, which enable customers to proactively monitor and manage their fleet via real-time insights, and our Digital Showrooms, which offer seamless onboarding for SME and Private Lease customers.

Next Generation Digital Architecture

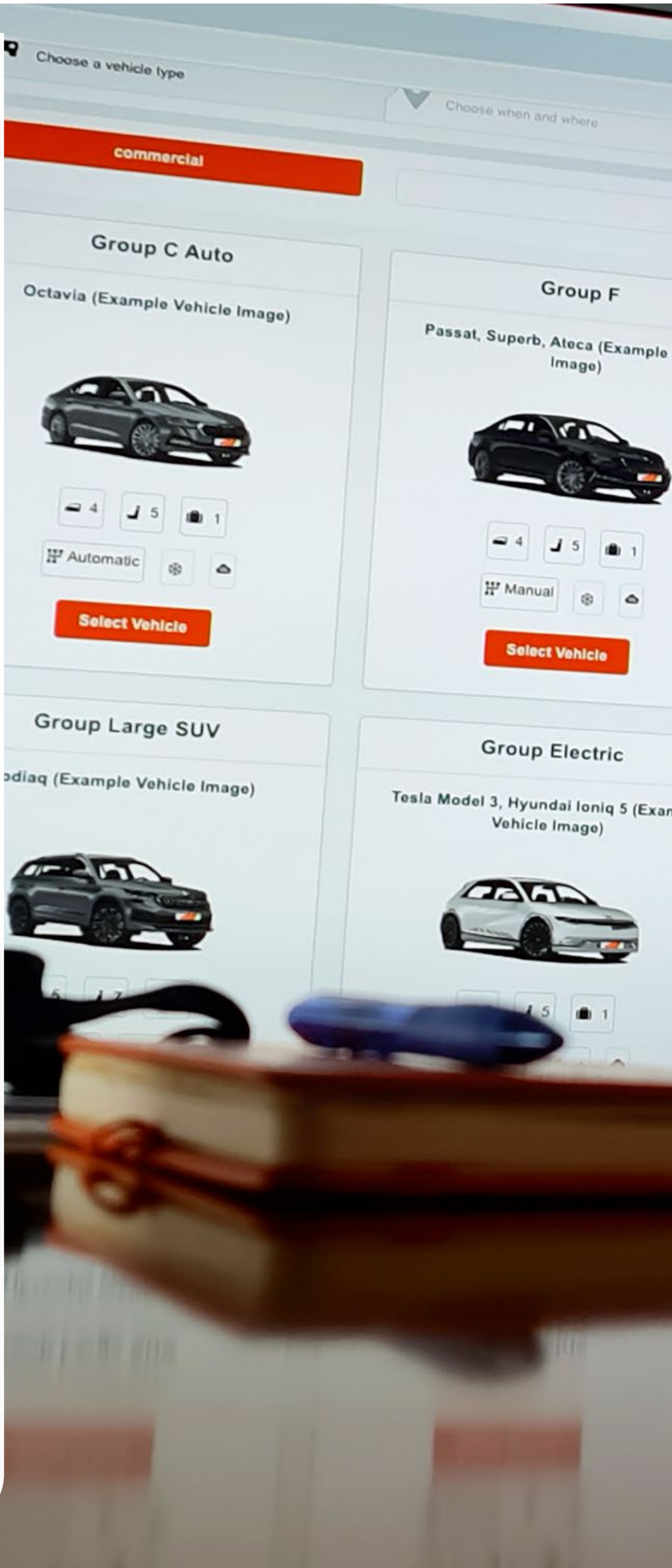
Our new landscape for products, services, processes and data is based on a harmonised global data, application and systems infrastructure. Our NGDA is:

- Modular
- API driven for integration capability
- Cloud based
- Scalable
- Resilient by design, enabling continuous development

Through this versatile, dynamic and modular system, we will be able to:

- Scale rapidly, without adding significant cost, through a fully digitised, standardised and global product, service and process architecture
- Digitise every aspect of our customers' journeys in a frictionless way and at digital cost levels
- Create and scale new digital businesses that leverage our existing core competencies, and integrate third-party platforms into our digital Car-as-a-Service ecosystem
- Realise an entirely new generation of smart fleet products and services by safely and securely leveraging data from our 1.3 million vehicles

NGDA modules have been developed using a combination of best-in-class, off-the-shelf platforms, as well as custom solutions where such platforms are unavailable. We are folding countries into our NextGen modules according to a detailed global roadmap.



CASE STUDY: 5

NextGen Rental for the digital subscription era

Flexible car subscriptions are more in demand than ever before – LeasePlan is ready to deliver.

"Three years ago, we identified a major gap in the market in Ireland," says Kevin Harty, LeasePlan Ireland Commercial Director. "LeasePlan's hiring partners couldn't always meet customer demand for long-term rentals, so we built a small in-house Flexi Fleet that was instantly popular."

With its sights set on fast expansion, the Flexi Fleet team needed better software that would facilitate growth – and so NextGen Rental joined LeasePlan's line-up of NGDA modules.

"We jumped at the chance to pilot NextGen Rental," continues Lana Burke, Flexi Fleet Manager at LeasePlan Ireland. "It's a harmonised digital platform with exciting potential for greater efficiencies and better customer service."

The NextGen Rental pilot went live in LeasePlan Ireland in mid-July 2022, and by the end of the year it had brought in 600 Flexi Fleet reservations. The platform is made up of two fully integrated solutions: the front-end vehicle reservation system and the back-end logistics system.

"With self-service functionality, we can speed up the rental process, which is a real benefit for customers facing ongoing vehicle shortages. Meanwhile, it allows us to win over prospective clients with a more professional flexible offering that could really make a difference to their business," explains Kevin.

Success in Ireland means NextGen Rental has a bright future in other LeasePlan regions. "It's a living organism," says Pedro Pessoa, Global Managing Director, Flexible Solutions. "Soon we will be expanding to other countries, including LeasePlan Greece and LeasePlan Germany."

The project is a perfect example of our Next Generation Digital Architecture (NGDA) in action: "It generates time and cost efficiencies, as well as new income streams from excess mileage and fuel costs," Lana adds. "We can't ask for much more in one solution!"

"With self-service functionality, we can speed up the rental process, which is a real benefit for customers facing ongoing vehicle shortages."

Kevin Harty
Commercial Director, LeasePlan Ireland

02. Growing our business profitably

We aim to capture the accelerated growth in the Car-as-a-Service market by delivering digital services at digital cost levels, leveraging our industry-leading NGDA approach.

For example, within the International/Corporate segment, a key focus is on developing strategic fleet partnerships with some of the world's largest corporations, supported by digital platforms that provide customers with maximum control and significant efficiency benefits. Other key actions in the International/Corporate segment include:

- Enhancing our global LCV approach to capitalise on the growth in last-mile delivery and service fleets
- Continuing to roll out our popular 'full package' EV solution, which includes home and office charging
- Introducing new products and services in our Insurance & Damage Handling and Repairs, Maintenance & Tyres (RMT) businesses
- Expanding our offering in flexible leasing and used car leasing

Our digital strategy is also fundamental to growing our SME and Private Lease businesses, where market penetration rates are lower, but growing fast. We use a direct digital sales and service approach via Digital Showrooms, as well as strategic partnerships with OEMs, financial institutions, mobility providers and dealer networks.

03. Drive operational excellence

LeasePlan is committed to achieving operational excellence through the implementation of an integrated operating model that leverages our scale and best practices across countries, allowing us to effectively compete on both service and cost. To achieve this, our global Business Excellence function translates overall company targets into specific KPIs for teams and individual employees, creating a culture of ownership, accountability and performance across the company. Since 2020, the function has also introduced an extensive global Lean training and coaching programme to further embed a culture of continuous improvement within LeasePlan, equipping employees with the practical skills to improve their daily activities. During 2022, the Business Excellence function executed hundreds of local improvement projects currently generating considerable savings, growth opportunities and enhancement to customer service and lead-times. The Business Excellence agenda is supported by a global platform sharing the latest best practices from across the company, such as the optimisation of our car return process.

04. Sustainability

In 2021, LeasePlan launched its ambitious new 'Driving to Zero' ESG strategy. In the strategy, we commit to acting decisively to address the most important ESG issues facing our business today: climate change, diversity and inclusion, and ethical supply chains. The new strategy builds on LeasePlan's industry-leading ambition to achieve net zero tailpipe-emissions from its funded fleet by 2030, announced at the launch of the EV100 organisation in 2017.

As part of 'Driving to Zero', LeasePlan has developed an understanding of the climate-related risks and opportunities it is facing through a comprehensive Group-wide risk assessment, based on scenario analysis and financial modelling. The impact of climate-related risks and opportunities is now being integrated into LeasePlan's strategy, governance, risk management and disclosures. For more information, see *page 49*.

Financial and business review

FY 2022 financial highlights

- **Net result** of EUR 1,935 million (+90.3%) for the full year[26]
- **Underlying net result** was EUR 1,418 million (+85.9%), of which EUR 1,278 million from continuing operations and EUR 140 million from **discontinued operations**[27]
- **Underlying Lease and Additional Services gross profit** EUR 1,938 million (+49.6%) for the full year. The results include adjustments for a reduction in depreciation of EUR 435 million
- **PLDV and End of Contract Fees gross profit** of EUR 602 million (+52.6%) for the full year[28]
- **Serviced fleet** growth of 7.0% to a total of 1.6 million vehicles with LeasePlan's Q4 2022 order book reaching a new record high[29]
- **Operating expenses** of EUR 895 million (+11.6%) due to continued investments in growth and our digital platforms
- Year-end **liquidity buffer** of EUR 9.0 billion
- The **divestment of LeasePlan USA** to the parent company of Wheels Donlen (in which Athene is the lead investor) was completed on 1 December 2022
- **ALD has obtained all expected merger control clearances** for the completion of the acquisition of LeasePlan. The European Commission's approval is conditional on the divestiture of select subsidiaries

Key numbers

	2022	2021	% YoY growth
Volume			
Serviced fleet (thousands), as at 31 December	1,628.0	1,521.1	7.0%
Number of vehicles sold (thousands)	207.7	241.8	-14.1%
Profitability			
– Underlying net result from continued operations	1,277.5	698.5	82.9%
– Underlying net result from discontinued operations	140.2	64.1	118.7%
Underlying (EUR million)	1,417.6	762.6	85.9%
Net result (EUR million)	1,935.4	1,017.2	90.3%
Underlying return on equity[30]	30.8%	17.7%	

26. Includes a EUR 409 million book gain from the divestment of LeasePlan USA. FY2021 included a EUR 228 million book gain from the divestment of LeasePlan Australia and New Zealand and the carve-out of CarNext
27. Financial statements including historical periods are adjusted for the anticipated divestment of LeasePlan in Czech Republic, Finland and Luxembourg (announced on 28 November 2022), the divestment of LeasePlan USA (as at 1 December 2022), the divestment of LeasePlan Australia and New Zealand to SG Fleet (transaction closed as at 1 September 2021) and the carve-out of CarNext. The results from these businesses are reported in the financial statements – Underlying net result from discontinued operations
28. The 2022 Q4 PLDV result includes a EUR 117 million impact of margin already recognised under lease and additional services gross profit as part of the prospective depreciation adjustment for cars sold in Q4 2022
29. Serviced fleet volume is like-for-like incl. current assets held for sale excl. divestments
30. Underlying RoE is based on last-twelve-month underlying net result and equity excluding the additional Tier 1 instrument. Including the AT1, RoE is 28.5% for 2022 and 16.6% for 2021

Financial performance[31]

In millions of euros, unless otherwise stated	2022	2021	% YoY Growth
Lease and Additional Services income	6,421.1	5,857.4	9.6%
Vehicle Sales and End of contract fees	3,314.2	3,280.2	1.0%
Revenues	**9,735.3**	**9,137.6**	**6.5%**
Underlying cost of revenues	**7,195.7**	**7,447.4**	**−3.4%**
Lease Services	1,114.9	564.3	97.6%
Fleet Management & other Services	191.9	148.8	29.0%
Repair & Maintenance Services	284.6	257.6	10.5%
Damage Services and Insurance	346.3	324.9	6.6%
Underlying Lease and Additional Services Gross Profit	**1,937.7**	**1,295.6**	**49.6%**
End of contract fees	110.7	115.4	−4.1%
Profit/Loss on disposal of vehicles	491.3	279.1	n.m.
Profit/Loss on disposal of vehicles and End of contract fees	**602.0**	**394.6**	**52.6%**
Underlying gross profit	**2,539.6**	**1,690.2**	**50.3%**
Underlying operating expenses	895.1	802.1	11.6%
Other income	4.5	0.0	n.m.
Share of profit of investments accounted for using the equity method	6.2	−5.5	n.m.
Underlying profit before tax	**1,655.2**	**882.6**	**87.5%**
Underlying tax	377.8	184.1	105.2%
Underlying net result from continuing operations	1,277.5	698.5	82.9%
Underlying net result from discontinued operations	140.2	64.1	118.7%
Underlying net result	**1,417.6**	**762.6**	**85.9%**
Underlying adjustments	517.8	254.6	n.m.
Reported net result	**1,935.4**	**1,017.2**	**90.3%**
Staff (FTEs at period end)[32]	7,876	7,502	5.0%

31. *Financial statements including historical periods are adjusted for the divestment of LeasePlan Czech Republic, Finland and Luxembourg (announced on 28 November 2022), the divestment of LeasePlan USA (transaction closed as at 1 December 2022), the divestment of LeasePlan Australia and New Zealand to SG Fleet (transaction closed as at 1 September 2021) and the carve-out of CarNext operations. The results from these businesses are reported in the financial statements – Underlying net result from discontinued operations*
32. *Like-for-like FTE incl. Current assets held for sale excl. divestments (i.e. incl. LeasePlan Czech Republic, Finland and Luxembourg, excl. LeasePlan USA)*

Serviced fleet of 1.6 million vehicles (+7.0%) with LeasePlan's Q4 2022 order book reaching a new record high.

Revenues increased by 6.5% to EUR 9,735 million. **Lease and Additional Services income** was up 9.6% to EUR 6,421 million due to fleet growth and additional services from fleet mix. **Vehicle Sales and End of contract fees** increased by 1.0% to EUR 3,314 million mainly due to the strong used-car market.

Underlying Lease and Additional Services gross profit was up 49.6% to EUR 1,938, million mainly driven by serviced fleet growth and stronger results across all service lines. The impact of Turkish hyperinflation was EUR 74 million[33]. The impact from the reduction in depreciation was EUR 435 million. The prospective depreciation adjustment is a result of the continued strong used-car market environment, which is expected to remain strong. Subsequently, the residual value of our fleet was reviewed and adjusted upwards. As a result, a prospective depreciation adjustment was recorded that decreased the depreciation during the period. The depreciation adjustment is applied to cars sold from Q4 2022 to 2026.

PLDV and EOCF gross profit was up 52.6% to EUR 602 million, primarily driven by the continued strong used-car market partly offset by EUR 117 million of margin already recognised under Lease and Additional Services as part of the prospective depreciation adjustment for cars sold in Q4 2022.

Underlying operating expenses were up 11.6% to EUR 895 million due to continued investments in growth and our digital platforms.

The underlying tax rate was up 2.0 percentage points to 22.8%, partly driven by the blend of statutory tax rates in Q4.

Underlying net result from continued operations was up 82.9% to EUR 1,278 million and includes a net impact of EUR 243 million as part of the prospective depreciation adjustment[34].

Underlying net result from discontinued operations of EUR 140 million. Discontinued operations included LeasePlan USA up to end November 2022 and LeasePlan Czech Republic, Finland and Luxembourg for the full year.

Underlying net result was up 85.9% to EUR 1,418 million due to strong performance in Lease and Additional Services and the continued strong used-car market.

Reported net result was up 90.3% to EUR 1,935 million, including EUR 518 million of underlying adjustments from a EUR 409 million book gain on the sale of LeasePlan USA (FY2021 included EUR 228 million book gain from the divestment of LeasePlan Australia and New Zealand and the carve-out of CarNext), net EUR 28 million impact of impairment reversals offset by EUR 55 million lower investment value in Constellation and SG Fleet driven by global stock market conditions, net positive EUR 183 million of mark-to-market impact of derivatives used for hedging, and net EUR 52 million in costs mainly related to our transition to ECB supervision.

33. *In accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies' LeasePlan accounted LeasePlan Turkey as a hyperinflation economy with effect from 1 January, 2022. In applying hyperinflation accounting the monetary and non-monetary assets and liabilities are restated to the current price levels for the opening balance and YTD transactions. For reporting, the monetary items (denominated in monetary units) are adjusted through PL to their nominal values representing the decreased purchasing power. As LeasePlan Turkey has more monetary liabilities than assets, this has a net positive impact of EUR 35 million for 2022*
34. *Pre-tax impact of EUR 318 million, consisting of EUR 435 million depreciation adjustments related to cars sold from Q4 2022 to 2026, offset by EUR 117 million reduction in used-car result related to cars terminated in Q4 2022 of which the margin was already recognised under lease and additional gross profit*

Operational highlights 2022

LeasePlan delivered an exceptionally strong performance in its Car-as-a-Service business in 2022, supported by strong fleet growth (7.0%), strong demand for used cars, as well as increased uptake of our added-value leasing services, including our insurance proposition. LeasePlan's order book again reached a historic high and, although the ongoing semiconductor shortage has delayed delivery of some new orders, the company continued to meet customer demand through its relationships with OEMs, as well as contract extensions and used-car leasing.

On the strategic front, LeasePlan's digital transformation passed a number of key milestones, including the successful launch of NGDA 1.0 in the Netherlands, the folding in of additional markets to our My LeasePlan and MyFleet online service modules, the expansion of our automated LCV fleet management dashboard to additional European countries, and the launch of LeasePlan's NextGen online used-car platform in 14 countries. Throughout the year LeasePlan also continued the execution of its 'Driving to Zero' ESG strategy, with Electric Vehicles and Plug-in Hybrids representing 28% of all new deliveries in 2022[35]. Going forward, LeasePlan's EV offering will be further strengthened by its collaboration with new OEMs, including VinFast and NIO. LeasePlan also submitted its near- and long-term emission reduction targets for verification to the Science Based Targets initiative.

In December 2022, LeasePlan announced the closing of the combination of LeasePlan USA with Wheels Donlen. With its increased scale and investment firepower, the new business is set to thrive within the unique US leasing market and accelerate the future of mobility for American drivers. We look forward to working with the new company as we continue to serve customers in the US through our international Cooperation Agreement.

In 2022, LeasePlan's shareholders and LeasePlan signed a Framework Agreement with ALD Automotive and Société Générale to create a leading global sustainable mobility player. In November 2022, ALD obtained all expected merger control clearances for the completion of the acquisition of LeasePlan, subject to the divestment of ALD in Portugal, Ireland and Norway, and of LeasePlan in the Czech Republic, Finland and Luxembourg.

Funding

LeasePlan was active across all its funding levers and raised a total amount of EUR 2.9 billion across Senior Unsecured funding, Asset Backed Securitisation (ABS) as well as Retail Deposits.

In the unsecured funding format, LeasePlan issued a EUR 750 million bond in April 2022 and a total amount of matched funding of EUR 459 million was actively delivered through its private placements franchise across NOK, SEK, EUR and CZK. Through its Bumper ABS franchise, LeasePlan delivered a EUR 500 million benchmark public transaction in April from its French portfolio and a EUR 750 million private warehouse in October from its Dutch portfolio. LeasePlan Bank raised EUR 517 million during the year from its retail deposits platform in the Netherlands and Germany, increasing its total volume from EUR 10.2 billion at year end 2021 to EUR 10.8 billion at year end 2022.

These funding activities combined with the liquidity impact of the divestment of LeasePlan USA (sales proceeds plus c. EUR 1.9 billion from the repayment of the intercompany loan portfolio) delivered a record year-end liquidity buffer of EUR 9.0 billion made up of EUR 7.6 billion in cash as well as access to the undrawn EUR 1.375 billion Revolving Credit Facility.

35. Definition aligned to industry practices from vehicle orders to deliveries, specifically: operational lease deliveries (activations) of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles (passenger vehicles in EU22 countries, excluding LCVs, scooters and trucks)

Dividends and capital

In 2022, the company has declared a final dividend for the financial year 2021 amounting to EUR 608.9 million as well as an interim dividend for the first half year of 2022 amounting to EUR 585.6 million. In January 2023, these amounts, EUR 1.2 billion in total, were paid to its shareholder LP Group B.V.

The total 2022 net result attributable to the equity owners of the parent amounts to EUR 1,898.5 million. The Managing Board proposes to the general meeting of shareholders to add part of such net result 2022 in the amount of EUR 1,312.9 million (consisting of EUR 80.0 million of net result for the first half year not distributed as an interim dividend and the EUR 1,232.9 million of net result for the second half of the year) to the retained earnings and, at this point in time, not to resolve on the distribution of the net result. The net result relating to the second half year of 2022, amounting to EUR 1,232.9 million, is excluded from Common Equity Tier 1 (CET1) capital, with the intention of management to distribute this, in part or full, to its shareholders in the foreseeable future.

The CET1 ratio as per 31 December 2022 was 15.6% calculated at the regulatory sub-consolidated level (LeasePlan Corporation N.V. consolidated). At this sub-consolidated level, the Total Capital Ratio was 17.8% which is equal to the Tier 1 capital ratio.

Ratings

Following the signing of the Memorandum of Understanding on 6 January 2022 with ALD and Société Générale, there were a number of actions from the Rating Agencies.

- On 10 January, Fitch affirmed LeasePlan Corporation N.V.'s Long-Term IDR at BBB+ with a Stable Outlook
- On 10 January, S&P placed on CreditWatch positive, LeasePlan Corporation N.V.'s BBB-/A-3 long and short-term issuer credit ratings
- On 18 January, Moody's affirmed LeasePlan Corporation N.V.'s Baa1 long-term deposit, issuer and senior unsecured ratings and changed the outlook to positive

No further rating actions were taken during 2022.

CASE STUDY: 6

Supporting Ukraine from near and far

When war broke out in Ukraine in February 2022, LeasePlanners around the world stepped up to support those affected.

LeasePlan Poland immediately took action for their neighbour: not only did they collect supplies and donations, but they also provided LeasePlan vehicles and drivers to transport goods and bring people from the Ukrainian border to safety in Warsaw.

LeasePlan Poland's Managing Director, Rogier Klop, was one such driver. "I'll never forget the emotions I felt at the refugee shelter," he says. "Families had left everything behind to stay in a sports hall filled with hundreds of mattresses. The experience made us even more determined to do what we could, especially since many of our colleagues are Ukrainian and have family in Ukraine."

Fundraising efforts and emergency help – including care for vulnerable children – continued throughout the year in many LeasePlan countries. Essential food and medical supplies as well as monetary donations were collected and distributed, while LeasePlanners in Romania organised a blood drive to help injured soldiers and civilians.

Numerous vehicles were also donated: LeasePlan Slovakia lent six vehicles to a humanitarian partner organisation, and LeasePlan Germany provided a wheelchair-friendly minibus to help transport disabled children. Meanwhile, LeasePlan Corporate campaigns encouraged LeasePlanners to help in practical ways, with some team members even hosting refugees in their homes.

"At one point, we had too many supplies for our charity partner to take," says Tanya Pakhuta, Head of Global Internal Communications, "so we decided to deliver them ourselves! Four of us drove two full vans – donated by LeasePlan Netherlands – to Warsaw, where we also helped out with on-the-ground transport for several days. Being Ukrainian myself, I found the whole experience extremely moving, but being there for each other is part of the LeasePlan culture. It was inspiring to see colleagues from across our community coming together in support of Ukraine during a tough year."

"It was inspiring, although not surprising, to see colleagues from across our community coming together in support of Ukraine during a tough year."

Tanya Pakhuta
Head of Global Internal Communications

EU Taxonomy

Below is LeasePlan's EU Taxonomy report, disclosing the extent to which its economic activities are considered 'eligible' in accordance with the EU Taxonomy[36] (EUT). The report also details the scope and application considerations at LeasePlan.

LeasePlan's EU Taxonomy Eligibility Assessment[37]

LeasePlan is a large public-interest entity and applies the EU Taxonomy in accordance with the financial undertaking requirements laid out in the Disclosures Delegated Act[38] ((DDA). As LeasePlan holds a banking license, it follows the reporting obligations laid out for credit institutions in Annexes V, VI and XI to the DDA for KPIs and qualitative disclosures respectively and will report for the first time on its green asset ratio (GAR)[39] over 2023. GAR represents the proportion of the of credit institution's assets financing and invested in taxonomy-aligned economic activities as a proportion of total covered assets[40]. For 2022, LeasePlan will only disclose the exposures to taxonomy-eligible economic activities in line with the phasing-in timelines from the DDA.

In addition to its mandatory disclosures as a credit institution, LeasePlan also provides a number of voluntary EUT disclosures that include the eligibility disclosure on its leased vehicles as well as the KPIs as a non-financial undertaking (eligible revenue, CapEx and OpEx). These disclosures provide level of eligible assets in terms of operating leases as well as offer comparability with LeasePlan's peers.

Mandatory taxonomy disclosures 2022

LeasePlan has adjusted its approach, compared to the previous year, and prepared its disclosures in accordance with disclosure requirements that are applicable to financial undertakings as a result of observed market practices and the evolved understanding of taxonomy eligibility disclosures. In the mandatory taxonomy disclosures, the eligibility proportion is calculated as eligible assets over total covered assets. Total covered assets include financial assets and investments, such as financial lease and trade receivables. Leased vehicles are excluded from the numerator and included in the denominator in the mandatory eligibility proportion calculation in accordance with DDA. LeasePlan has excluded equity instruments, debt securities, investments in joint ventures, loans to investments and non-loan advances from the EU Taxonomy eligibility assessment, due to data availability challenges and considering the immateriality of those assets relative to the total assets.

LeasePlan considers financial lease and trade receivables as 'known use of proceeds loans[41]', as each financial lease is collateralised by a vehicle. As a result, LeasePlan assesses the EU Taxonomy eligibility of financial leases and trade receivables using the economic activity described in section '6.5 – Transport by motorbikes, passenger cars and light commercial vehicles' of Annex I to the Climate Delegated Act[42] of the EU Taxonomy. The other associated activities carried out by LeasePlan include repairs, maintenance & tyre management (RMT) services, vehicle insurance services and other vehicle related services. All these services are provided as bundled services only for the vehicles financed/leased by LeasePlan and will be considered within the context of activity 6.5, given the fact that the description of activity 6.5 as per Annex I of the Climate Delegated Act also includes 'operations' of vehicles and these additional services are considered as part of operations of these vehicles.

36. *Regulation (EU) 2020/852 of The European Parliament and of The Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020). Eligibility indicates whether a certain activity is critical in the pursuit of reaching any of the six environmental objectives of the Taxonomy, not the extent to which that activity can be considered sustainable itself*
37. *LeasePlan reports its EUT eligibility assessment according to the latest version of the EUT and the Climate Delegated Acts and Disclosures Delegated Act, formally adopted by the European Commission on 4 June and 6 July 2021, respectively. The Climate Delegated Acts outline the eligible economic activities and their respective technical screening criteria. As only Annex 1 and Annex 2 have so far been approved, LeasePlan will report only on the first two of the six environmental objectives for FY2022*
38. *Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852*
39. *GAR refers to the proportion of the of credit institution's assets financing and invested in taxonomy-aligned economic activities as a proportion of total covered assets*
40. *1.1.2 of Annex V to the DDA, total covered assets include: '(a) financial assets at amortised cost; (b) financial assets at fair value through other comprehensive income; (c) investments in subsidiaries; (d) joint ventures and associates; (e) financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss; (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts' and exclude: (a) financial assets held for trading; (b) on-demand interbank loans; and (c) exposures to undertakings that are not subject to NFRD.*
41. *Represents loans and advances where the use of proceeds is known as referred to in Annex V to Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions.*
42. *Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council*

In the mandatory taxonomy disclosures, only exposures towards NFRD[43] counterparties[44], retail customers and local governments are included.

NFRD status of LeasePlan counterparties

Under Directive 2014/95/EU of 22 October 2014, the NFRD scope covers large public-interest entities with more than 500 employees that have either a balance sheet total exceeding EUR 20 million or a turnover exceeding EUR 40 million. Due to data constraints at counterparty level in relation to NFRD scope requirements, LeasePlan has developed a best-effort approach to identify NFRD counterparties using the following criteria:

1. Reporting entity of LeasePlan servicing the counterparty within the EU
2. Non-SME exposure tag in LeasePlan's system
3. Counterparty meeting any two of the following three criteria:
   - Balance sheet total of EUR 20 million
   - Net turnover of EUR 40 million
   - >500 employees during the financial year

LeasePlan is currently investigating how to enhance data availability to determine counterparty classification going forward.

Mandatory EUT eligibility disclosure – 31 December 2022

All amounts are in thousands of euros, unless stated otherwise

Exposures to:	Gross Carrying Amount	Proportion in Covered Assets[45]	Proportion in Total Assets
Eligible activities (mandatory)	862,252	3.15%	2.50%
of which financial corporations	77,669	0.28%	0.22%
of which non-financial corporations	708,540	2.59%	2.05%
of which households	76,044	0.28%	0.22%
of which local governments financing	–	–	–
Non-eligible activities	257,360	0.94%	
Non-NFRD companies[46]	2,580,189	9.43%	
Derivatives	545,140	1.99%	
On-demand interbank loans	155,556	0.57%	
Leased vehicles[47]	20,150,395	73.68%	
Other assets (excl. leased vehicles)[48]	2,797,386	10.23%	
Covered assets	**27,348,278**	**100%**	
Sovereigns (central gov, central bank, supranational issuers)	7,171,968		20.78%
Trading portfolio			
Total assets	**34,520,246**		**100%**

43. Non-financial Reporting Directive
44. NFRD status of counterparties determined based on the best effort approach as explained in the section 'NFRD status of LeasePlan counterparties'44. 1.1.2 of Annex V to the DDA, total covered assets include: '(a) financial assets at amortised cost; (b) financial assets at fair value through other comprehensive income; (c) investments in subsidiaries; (d) joint ventures and associates; (e) financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss; (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts.'
45. 1.1.2 of Annex V to the DDA, total covered assets include: '(a) financial assets at amortised cost; (b) financial assets at fair value through other comprehensive income; (c) investments in subsidiaries; (d) joint ventures and associates; (e) financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss; (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts.'
46. As required by the regulation, exposures to non-NFRD counterparties presented for the same asset classes as mentioned in 'note 1', including a voluntary eligibility assessment performed on those
47. Consists of property and equipment under operating lease rental fleet and vehicles available for lease, disclosed as a separate item besides 'other assets' due to its significance for LeasePlan's disclosures
48. Includes the impairment of financial assets and other assets such as cash collaterals, rebates etc.

Voluntary taxonomy disclosures

On December 31, 2022, leased vehicles constituted 74% of LeasePlan's balance sheet. With electrification of leased vehicles being a key metric in LeasePlan's sustainability strategy, the company provides voluntary disclosures that include the eligibility of its leased vehicles. In this context, LeasePlan treats its leased vehicles the same way as financial leases as described under 'Mandatory taxonomy disclosures 2022' and includes the International Financial Reporting Standards carrying values of its leased vehicles both in the numerator and denominator for the voluntary eligibility proportion calculation.

LeasePlan has also performed an eligibility assessment for those exposures to non-NFRD entities and provides this information also on a voluntarily basis. The table below presents LeasePlan's mandatory and voluntary disclosures.

EU taxonomy eligibility disclosure – 31 December 2022

All amounts are in thousands of euros, unless stated otherwise

Exposures to:	Gross Carrying Amount	Proportion in Covered Assets[49]	Proportion in Total Assets
Eligible activities (mandatory)	862,252	3.15%	2.50%
of which financial corporations	77,669	0.28%	0.22%
of which non-financial corporations	708,540	2.59%	2.05%
of which households	76,044	0.28%	0.22%
of which local governments financing	–	–	–
Non-eligible activities	257,360	0.94%	
Non-NFRD companies[50]	2,580,189	9.43%	
of which eligible (voluntary)	1,271,350	4.65%	
of which non-eligible (voluntary)	1,308,839	4.79%	
Derivatives	545,140	1.99%	
On-demand interbank loans	155,556	0.57%	
Leased vehicles[51]	20,150,395	73.68%	
of which eligible (voluntary)	20,150,395	73.68%	
of which non-eligible (voluntary)			
Other assets (excl. leased vehicles)[52]	2,797,386	10.23%	
Total GAR assets	**27,348,278**	**100%**	
Sovereigns (central gov, central bank, supranational issuers)	7,171,968		20,78%
Trading portfolio			
Total assets	**34,520,246**		**100%**
Eligible activities[53] (mandatory)	**862,252**	**3.15%**	
Eligible activities (mandatory + voluntary)	**22,283,997**	**81.48%**	

49. 1.1.2 of Annex V to the DDA, total covered assets include: '(a) financial assets at amortised cost; (b) financial assets at fair value through other comprehensive income; (c) investments in subsidiaries; (d) joint ventures and associates; (e) financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss; (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts.'

50. As required by the regulation, exposures to non-NFRD counterparties presented for the same asset classes as mentioned in 'note 1', including a voluntary eligibility assessment performed on those

51. Consists of property and equipment under operating lease rental fleet and vehicles available for lease for which a voluntary eligibility information is provided on the same basis as finance lease receivables

52. Includes the impairment of financial assets and other assets such as cash collaterals, rebates etc.

53. As discussed in the FAQ (20.12.21) on Article 8 DDA, mandatory KPI represents the eligibility information taking into account the scope and data requirements of the EUT (i.e. only for in-scope asset classes where there the data requirements is strictly followed)

Additional voluntary taxonomy disclosures

LeasePlan has decided to voluntarily disclose non-financial undertaking taxonomy-eligible KPIs with respect to revenue[54], capital expenditures[55] (CapEx) and operating expenses[56] (OpEx). However it should be noted that for the alignment disclosures, timelines for the mandatory disclosures will be followed, mainly due to efficiency purposes.

As discussed above, LeasePlan's leasing activities were assessed as being eligible in line with 'Section 6.5 - Transport by motorbikes, passenger cars and light commercial vehicles' of Annex I of the Climate Delegated Act (specifically 'climate change mitigation' environmental objective). LeasePlan therefore assesses its revenues and expenses against the criteria set out in relation to this activity.

Revenue

LeasePlan's eligible revenue represents its revenues from the vehicle leasing business (both financial and operational), as well as those revenues arising from additional services as part of the leasing activity (e.g. repair and maintenance, vehicle insurance services etc.). The sale of vehicles does not fall within the scope of the EU Taxonomy and is therefore assessed as being non-eligible.

CapEx

LeasePlan's eligible capex solely includes the expenditures made in relation to additions to its vehicle fleet. The non-eligible part mainly relates to intangibles, software and head-quarter related items.

OpEx

LeasePlan's eligible OpEx relates to expenditures made in relation to the maintenance and repair of vehicles financed. These expenditures are accounted for by LeasePlan as part of direct cost of revenues. The non-eligible portion relates to short-term leases and renovation measures, where applicable.

All amounts are in thousands of euros, unless stated otherwise

	Total in scope, i.e. denominator	Taxonomy eligible amount, i.e. numerator	Proportion of Taxonomy-eligible economic activities (in %)
Revenue[57]	9,735,305	6,421,107	66%
CapEx[58]	7,886,405	7,660,892	97%
OpEx[59]	860,159	860,052	100%

Changes in voluntary disclosures compared to the previous year's disclosures

LeasePlan has adjusted its approach for its 2022 CapEx and OpEx KPIs, taking into account market practices and the evolved understanding of taxonomy eligibility disclosures. Previously, the entirety of CapEx and OpEx was considered eligible. However, for the current reporting year, eligible CapEx includes only the expenditure pertaining to the vehicles financed, while eligible OpEx includes only the expenditure pertaining to the maintenance and repair of the vehicles financed. The eligible CapEx of the current year is 3% lower than the eligible CapEx reported for the previous year. The change in eligible OpEx is insignificant and hence the eligible proportion remains at 100% (rounded-off). No change has been applied to the revenue KPI.

54. The Revenue denominator covers net revenue, defined as the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to revenue

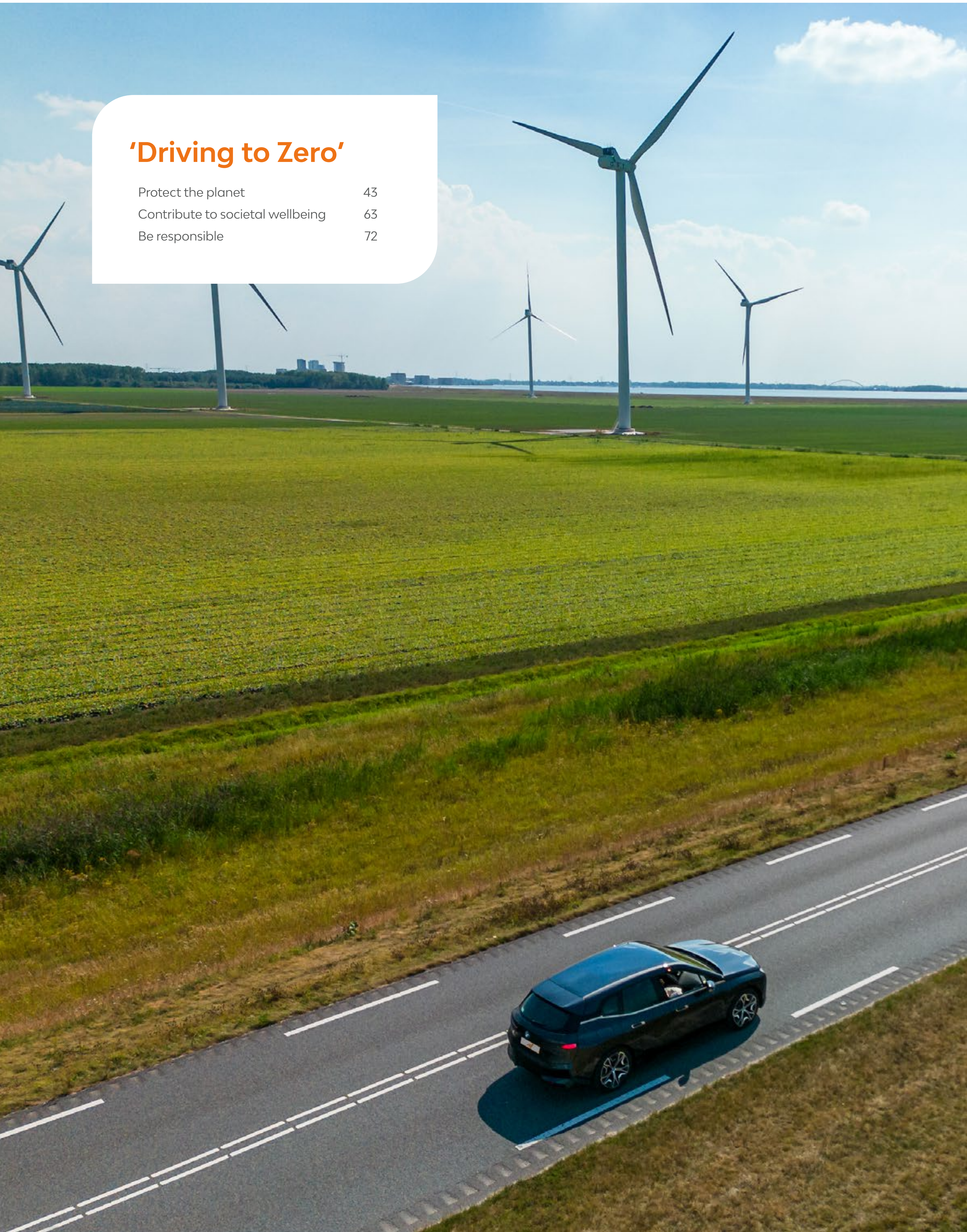
55. The CapEx denominator covers additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator also covers additions to tangible and intangible assets resulting from business combinations

56. The OpEx denominator includes direct non-capitalised costs that relate to i) research and development, ii) building renovation measures, short-term lease, iii) maintenance and repair, and iv) any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets

57. The Revenue denominator covers net Revenue (as included in note 4 of the consolidated financial statements), defined as the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to Revenue.

58. The CapEx denominator covers additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator also covers additions to tangible and intangible assets resulting from business combinations. Capex is included in the statement of cashflows of the consolidated financial statements.

59. The OpEx denominator includes direct non-capitalised costs that relate to i) research and development, ii) building renovation measures, short-term lease, iii) maintenance and repair, and iv) any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets (included in note 4 of the consolidated financial statements in additional service costs).



'Driving to Zero'

Sustainability

LeasePlan's sustainability strategy aims to achieve net zero emissions across all emission scopes, and drive progress across all material ESG issues. Combined with our existing ambitions, 'Driving to Zero' further strengthens our industry-leading approach to sustainability.

Key 'Driving to Zero' highlights

1. Protect the planet

As a responsible company, LeasePlan is committed to reducing its environmental impact and tackling climate change.

- We remain committed to leading the transition to zero emission mobility and aim to achieve net zero tailpipe emissions from our funded fleet by 2030
- We aim to achieve net zero emissions across our operations and value chain globally (GHG emissions Scopes 1, 2 & 3) by 2050 at the latest and ensure these ambitions are validated by the Science Based Targets initiative (SBTi)
- We will formally integrate climate-related and environmental risks into our governance, strategy, risk management and disclosures in line with TCFD recommendations and ECB expectations

In detail > page 43

2. Contribute to societal wellbeing

Our approach to helping create a more equal and inclusive society.

- We will increase the % of diverse employees in top 3 management layers
- We are committed to providing equal benefits to all our LGBTQI+ colleagues and their partners, while further strengthening LeasePlan's progressive culture
- We will implement a new Global Sustainable Procurement Policy to enhance supplier engagement and help drive up ESG standards across LeasePlan's value chain
- We will roll out a global Community Volunteering Standard to enhance the impact we have on our communities

In detail > page 63

3. Be responsible

Only by conducting business according to our high ethical standards can we win and retain the trust of our stakeholders.

- We will strengthen our sustainability governance structure to support the strategy roll out and ensure management accountability
- We will fully embed ESG into LeasePlan's remuneration policies for senior executives

In detail > page 72

Sustainability strategy

Key initiatives, metrics and targets

Pillar	Priorities	Page	Key initiatives
1 **Protect the planet** *In detail > page 43*	**Lead the transition to zero emission mobility**	44	Ambition to achieve net zero tailpipe emissions from the funded fleet by 2030
	Reduce our carbon footprint	46	Achieve net zero emissions across all GHG scopes via science-based targets in line with the Paris Agreement
	Understand & manage climate risks & opportunities	49	Understand climate-related risks & opportunities facing LeasePlan via a comprehensive Group-wide risk assessment, scenario analysis & financial modelling
			Integrate impact of material climate-related risks & opportunities into LeasePlan's strategy, governance, risk management & disclosures
2 **Contribute to societal wellbeing** *In detail > page 63*	**Build an ethical, inclusive & progressive culture**	63	Increase % of diverse employees in top 3 management layers
			Determine & address any gender pay discrepancies
			Equalise parental leave across natural birth, surrogacy & adoption
			Expand access to pension-related benefits for partners of LeasePlanners
			Equalise access to family bereavement policies & entitlements for all LeasePlanners
			Implement a cultural holiday swap policy
			Install an Employee community
			Support recruitment of talent with disabilities
	Drive supply chain sustainability	71	Develop & implement a Global Sustainable Procurement Policy
			Apply ESG assessments for supplier selection, onboarding & management
			Incorporate a Sustainable Procurement Charter into major contracts
	Sustainability & customer engagement	70	Enhance customer satisfaction, achieving a higher Net Promoter Score (NPS)
			Develop & roll out a new Global Customer ESG Risk Policy
	Have a positive impact in the community	69	Roll out a new Community Volunteering Standard
	Offer a safe, healthy & engaging work environment	68	Continue to improve employee engagement via NextGen LeasePlan community activities
			Continue to create an engaging work environment
	Help our people reach their potential	69	Continue to roll out Leadership Journeys, LinkedIn Learning & NextGen Skill Taster Programme to support employee development & skill building
	Improve driver safety in customer & employer fleets	70	Continue to roll out SafePlan Zero to facilitate safer driving behaviours among fleet managers & drivers
3 **Be responsible** *In detail > page 72*	**Ensure successful sustainability governance**	72	Update sustainability governance structure to support sustainability strategy roll out & assign responsibilities for ESG issues in line with the three lines of defence model
	Implement ESG-linked executive remuneration	73	Drive meaningful integration of ESG metrics into executive pay for senior management
	Privacy & data protection	82	Continue to embed privacy-by-design, while enhancing the privacy control framework
	Promote sustainable financing	73	Launch new ESG-aligned Global Investment Policy to steer LeasePlan investments into instruments with strong ESG credentials, while continuing to roll out our successful Green Bond programme
	Embed business ethics & integrity	82	Continue roll out of global ethics & integrity campaign to establish the right 'tone from the top' for employees & ensure compliance with ECB regulation
			Ensure application of tax principles & policies that are in alignment with our core values & Code of Conduct
			Update tax policy to ensure alignment with latest guidelines
			Continue to roll out the Anti-Money Laundering, Counter-terrorist Financing & Sanctions Policy & Standard
			Continue to roll out the Global Bribery Risk Assessment
			Continue to implement robust Competition Compliance Framework with policies, standards & rules in accordance with highest standards
			Fully address any (potential) conflicts of interest

Metrics	Targets	Value 2022	Material topics	SDG targets
Scope 1 emissions	Net zero no later than 2050 (science-based target)	4,980 tonnes	LeasePlan's carbon footprint	**3. Good health & well-being** 3.9 Deaths & illness due to pollution
Scope 2 emissions	Net zero no later than 2050 (science-based target)	4,552 tonnes	Low emission mobility	**7. Affordable, reliable, sustainable & modern energy for all** 7A Cooperate for & invest in clean energy 7.2 Renewable energy share 7.3 Energy efficiency
Scope 3 emissions	Net zero no later than 2050 (science-based target)	3,848,015 tonnes	Sustainable growth	
% EV activations	100% by 2030	28%	Circular economy	**11. Sustainable cities & communities** 11.2 Safe, affordable, accessible & sustainable transport
Average CO_2 tailpipe emissions from the funded fleet	Zero CO_2 tailpipe emissions from funded fleet by 2030	113 g/km		**13. Climate action** 13.1 Climate resilience & adaptation
% gender diversity in top 3 management layers	35% by 2025	31%	Diversity, Equity and Inclusion	**3. Good health & well-being** 3.6 Halve deaths & injuries from road traffic
Gender pay ratio	Close the gap by 2023	3.10%		
# of countries with equal LGBTQI+ benefits	25 countries by 2023	24		**5. Gender equality** 5.1 End all discrimination against women & girls 5.5 Ensure women's full & effective participation & equal opportunities for leadership
# of cases of discrimination	0 cases annually	0		
% of top 3 management layers that have completed full DE&I training	80% by 2023	50%		
% of suppliers that have signed Sustainable Procurement Charter	100% by 2024	0	Sustainable procurement	**8. Decent work & economic growth** 8.5 Full employment for all men & women 8.8 Safe & secure work environment for all workers
(%) Suppliers screened on ESG risk criteria	100% by 2025	100%		
% of procurement staff trained on sustainable procurement	100% by 2024	62%		**10. Reduced inequalities** 10.2 Social, economic & political inclusion for all 10.3 Ensure equal opportunity for all
Customer Net Promoter Score (NPS)	23 by 2023 Implemented by 2023	31%	Customer satisfaction	**12. Responsible consumption & production** 12.6 Encourage companies to adopt sustainable practices
			Customer education	
			Digital solutions	
			Partnerships	
# of hours spent on community volunteering	10,000 hours annually	1,165 hours	Societal wellbeing	
Employee engagement plus score	75% annually	83.8%	Health & wellbeing	
Global absenteeism rate	3% by 2023	3.22%	Employee engagement & satisfaction	
Total learning hours	55,000 hours	91.247	Employee development	
Bodily injury rate (%)	0% annually	0.98%	Driver safety	
			Business ethics	**16. Peace, justice & strong institutions** 16.5 Reduce corruption & bribery in all forms
% of employees who have completed mandatory e-learning on privacy	100% in 2023	92%	Privacy & data protection	
% of personal data breaches which are timely reported to the regulator	100% in 2023	100%		
% of individual requests & complaints related to personal data which are timely handled	100% in 2023	95%		
			Sustainable finance	
% of employees who have completed the mandatory learning on AML, CTF & sanctions	100% in 2023	94%	Human rights	
% of employees who have completed mandatory learning on anti-bribery	100% in 2023	92%		
% of clients screened prior to on-boarding	100% in 2023	Not available		
# of cases bribery/corruption	0 cases in 2023	0		
% of conflicts of interest reported, managed and recorded	100% in 2023	100%		
% of whistleblower cases handled according to LeasePlan's global Whistleblower Policy	100% in 2023	100%		

CASE STUDY: 7

Driving change with science-based targets

As a responsible company, LeasePlan recognises there is only a small window of time in which to prevent the worst impacts of climate change – and that bold actions must therefore be taken as a matter of urgency.

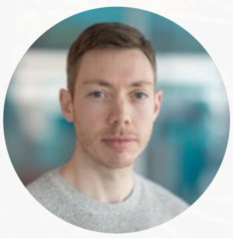
As part of its 2021 'Driving to Zero' ESG strategy, LeasePlan committed to achieving net zero emissions across Scopes 1, 2 and 3 by 2050, and to having its carbon reduction plans validated by the Science Based Targets initiative (SBTi).

In 2022, LeasePlan took the next step, submitting the following targets for validation (baseline 2019):

- Reduce absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 60% by 2030
- Reduce absolute Scope 3 GHG emissions by 46.2% by 2030
- Reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by 2050

"Setting SBTs in line with the latest climate science provides a clear pathway for companies to lower their GHG emissions and help prevent the most devastating effects of climate change," says Mike Lightfoot, Chief Corporate Affairs & Sustainability Officer. "The benefits – for the planet and for businesses – are clear. We have no planet B, and no one wants to work with a polluting partner." That's why at LeasePlan we're determined to play our part, working with the SBTi to validate our targets as well as reporting on our progress to our stakeholders."

Setting targets is one thing – but realising them is quite another. LeasePlan's Scope 3 emissions make up 99% of its total, owing to the impact of producing, operating and maintaining the vehicles in its global fleet. "Transitioning our funded fleet to EVs is the single most important lever for reducing our overall GHG emissions," Mike explains. "That's why we are so proud that in 2022, new EV activations reached a record 28%. By acting decisively today, we can do our part to protect the planet tomorrow."



"Transitioning our funded fleet to EVs is the single most important lever for reducing our overall GHG emissions."

Mike Lightfoot
Chief Corporate Affairs & Sustainability Officer

1 Protect the planet

As a responsible company, LeasePlan is committed to reducing its environmental impact and tackling climate change.

The Intergovernmental Panel on Climate Change (IPCC) has concluded that global temperatures must not rise by more than 1.5°C above pre-industrial levels if we are to avoid the worst impacts of climate change, including irreversible damage to our environment and deeper inequality between rich and poor. To achieve this, global annual greenhouse gas (GHG) emissions must roughly halve by 2030 – and drop to net zero by 2050.

As a responsible company, LeasePlan recognises there is only a small window of time to prevent the worst effects of climate change and that bold actions must be taken today. LeasePlan's 'Protect the planet' approach therefore focuses on the following three dimensions::

i **Lead** the transition to sustainable mobility by accelerating the uptake of zero emission vehicles in our funded fleet

ii. **Reduce** our carbon footprint to net zero in line with the Paris Agreement, with targets validated by the Science Based Targets initiative (SBTi)

iii. **Understand** and manage the Group's climate risks and opportunities to ensure our business is resilient across a range of potential climate futures

Our greenhouse gas footprint

The below table shows LeasePlan's 2022 annual GHG footprint totals[60], calculated using both market- and location-based emissions accounting methods.

Scope 1

4,980
tonnes CO_2-eq

-28% % change compared to 2020

Year	tonnes CO_2-eq
2022	4,980
2021	6,325
2020	6,880

Scope 2 Market-based

4,552
tonnes CO_2-eq

-41% % change compared to 2020

Year	tonnes CO_2-eq
2022	4,552
2021	6,280
2020	7,781

Scope 2[61] Location-based

10,079
tonnes CO_2-eq

12% % change compared to 2020

Year	tonnes CO_2-eq
2022	10,079
2021	10,615
2020	8,995

Scope 3[62]

3,848,015
tonnes CO_2-eq

-23% % change compared to 2020

Year	tonnes CO_2-eq
2022	3,848,015
2021	4,155,599
2020	5,006,601

Total CO_2 emissions
Market-based

3,857,547
tonnes CO_2-eq

-23% % change compared to 2020

Year	tonnes CO_2-eq
2022	3,857,547
2021	4,168,204
2020	5,021,262

60. *LeasePlan's greenhouse gas footprint is prepared in accordance with the GHG Protocol Corporate Standard, GHG Protocol Scope 2 Guidance, GHG Protocol Corporate Value Chain (Scope 3) Standard, GHG Protocol Technical Guidance for Scope 3*
61. *2020 is an outlier due to Covid-19 and our offices rarely being used during that time*
62. *Scope 3 comprises emissions from Category 13 'Downstream Leased Assets' as per the GHG Protocol's 'Corporate Value Chain (Scope 3) Standard, representing the 'in-use' phase, defined as 'tank to wheel' emissions of LeasePlan's funded fleet. LeasePlan's science-based targets consider additional Scope 3 emission categories, for which we are making efforts to track and disclose the emissions once our science-based targets are validated*

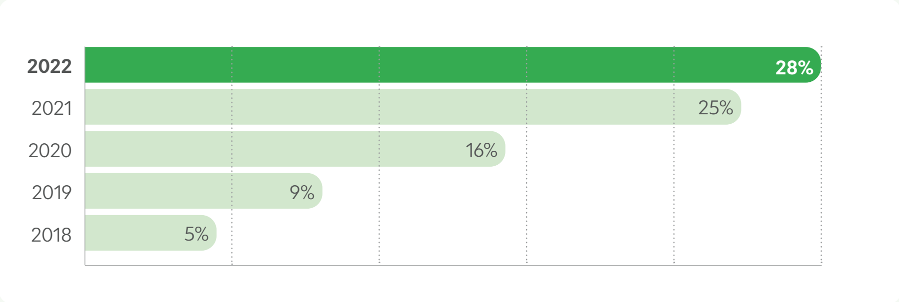
i. Lead the transition to sustainable mobility

Given that around 20% of global GHG emissions come from road transport, LeasePlan recognises the important role it has to play in tackling climate change through the transition towards zero emission mobility. The company is therefore committed to taking a leadership role in the transition from internal combustion engines to alternative powertrains, in support of the Paris Agreement. In this context, LeasePlan remains committed to achieving zero net tailpipe emissions from its funded fleet by 2030. In fact, accelerating the uptake of EVs[63], and providing the infrastructure required to make them a viable option for customers and employees is LeasePlan's single most important lever for reducing its GHG emissions.

LeasePlan has made strong progress towards this goal, with EVs accounting for 28%[64] of all new vehicle activations in 2022, compared to 3% in 2017. EVs now represent 15.4% of all vehicles in LeasePlan's funded fleet[65] (compared to 11.1% in 2021), while the average CO_2 tailpipe g/km per vehicle fell to 113 in 2022, compared to 121g/km in 2021.

New EV* activations in our funded fleet

2018-2022



** Battery Electric Vehicles (BEVs) plus Plug-in Hybrid Electric Vehicles (PHEVs) passenger vehicles in EUR22 countries*

Comprehensive solutions

Demand for EVs is being driven primarily by forward-thinking corporate customers with ambitious decarbonisation strategies, and is further supported by the greater availability of EV models in all vehicle segments, ongoing government incentives to encourage electrification and the fall in total cost of ownership (TCO) of EVs compared to internal combustion engine (ICE) vehicles[66]. LeasePlan also continues to see an increase in demand for electric light commercial vehicles (eLCVs), especially from customers in the logistics and e-commerce sectors.

LeasePlan meets this demand through its LeasePlan Electric programme, key features of which include:

- Consultancy services for EV business case impact, vehicle selection and transition planning
- Partnerships with automakers, enabling LeasePlan to offer a range of exciting EV models to customers at attractive rates
- Partnerships with charging infrastructure providers to support workplace charging, home charging, charging in public areas and destination charging

63. *LeasePlan defines Electric Vehicles (EVs) as Battery Electric Vehicles (BEVs) plus Plug-in Hybrid Electric Vehicles (PHEVs)*
64. *Of funded book value, excluding LCVs and non-European countries*
65. *Data includes passenger vehicles (PVs) and light commercial vehicles (LCVs) across all countries*
66. *According to our Car Cost index: https://www.leaseplan.com/corporate/news-and-media/newsroom/2022/13-12-2022*

In addition, LeasePlan continues to run educational initiatives, such as its widely attended online events, and to publish industry-leading thought leadership on the global EV transition. For example, in 2022, LeasePlan published the seventh edition of its Car Cost Index[67], which definitively shows that EVs in nearly every segment and European country are now the same price or cheaper on a total cost of ownership (TCO) basis than petrol or diesel cars. LeasePlan also released the fifth edition of our EV Readiness Index[68], a comprehensive analysis of the preparedness of 22 European countries for the EV transition. Presenting detailed data for each of the key readiness factors, the EV Readiness Index provides actionable insights for each market and helps international fleet and mobility managers make the right decisions when it comes to electrifying their fleets.

Meanwhile, our successful Green Bond programme to finance the purchase of EVs continues to support the transition to zero emission mobility. By the end of 2022, a total of EUR 3 billion had been raised, highlighting the strength of LeasePlan's Green Finance Framework and the ongoing support of institutional investors for LeasePlan's sustainability strategy.

While demand is steadily increasing, several factors continue to impair greater EV adoption in many countries, particularly the lack of a robust public charging infrastructure.

Advocating change in our industry

As a responsible global organisation, LeasePlan works with leading international NGOs, including Climate Group's EV100 organisation, as well as the World Economic Forum (WEF) and the World Business Council for Sustainable Development, to promote policies to accelerate the uptake of EVs.

In this context, in 2022, LeasePlan joined EV100 in celebrating its fifth anniversary, coinciding with 2022's World EV Day. Through its powerful advocacy, EV100 is an important force for accelerating sustainable mobility, bringing together companies committed to converting their owned and contracted fleets to electric by 2030. Since LeasePlan joined as a founding member in 2017, the number of EV vehicles sold worldwide has risen from one million to 60 million.

Key findings from LeasePlan's Car Cost Index 2022

LeasePlan's 2022 Car Cost Index reveals that EVs in nearly every segment and European country are now the same price or cheaper on a TCO (total cost of ownership) basis than petrol or diesel cars, despite rising prices for fuel and electricity.

Highlights from the 2022 Car Cost Index include:

- Compact EVs are cost competitive in 18/22 European countries
- Standard mid-size EVs are cost competitive in 19/22 European countries
- Premium mid-size EVs are cost competitive in 18/22 European countries
- There are more EV models on the market than ever before. The first Car Cost Index surveyed only 11 EVs, while this year's edition includes 33

Most EV ready country	Norway
Least EV ready country	Czech Republic
Most improved vs 2021	Greece

67. https://www.leaseplan.com/corporate/news-and-media/newsroom/2021/14-10-2021
68. https://www.leaseplan.com/en-us/lpus-ev-readiness-index-2022/

ii. Reduce our carbon footprint to net zero

LeasePlan is going further than just understanding its climate impact; it is also taking mitigating actions to reduce its environmental footprint.

Our emission categories

A closer look at LeasePlan's baseline 2019 emissions shows that 99.9% of our emissions fall under Scope 3, with most of those sitting within three categories:

1. *Capital goods:* emissions resulting from the production of the vehicles LeasePlan purchases, as well as the components for Repair, Maintenance & Tyre services, such as glass, tyres and other components
2. *Use of sold products:* emissions occurring after the sale of LeasePlan's vehicles through its Remarketing channels
3. *Downstream leased assets:* emissions from the use phase of our funded fleet

2019 Scope 1, 2 and 3 emissions

(%) 2019 baseline

0.06% Scope 1

0.03% Scope 2 Market-based

99.92% Scope 3

2.1% Purchased goods and services

22.5% Capital goods

41% Use of sold products

0.1% Investments

34.1% Downstream leased assets

0.2% Other categories

Science-based targets

Science-based targets (SBTs) provide a clearly defined pathway for companies and financial institutions to reduce their GHG emissions. Targets are considered 'science-based' if they align with the goals of the Paris Agreement – i.e. ensuring global GHG emissions are halved by 2030 and drop to net zero by 2050 in order to limit global warming to 1.5°C above pre-industrial levels.

Having completed the key exercise of understanding and baselining LeasePlan's emission footprint in 2021, LeasePlan developed three science-based targets in 2022 and submitted them to the Science Based Targets initiative (SBTi)[69] for validation, which we expect to receive in 2023. This fulfils a core pledge made in our 2021 'Driving to Zero' ESG strategy.

The targets submitted to the SBTi are:

1. Reduce absolute Scope 1 and 2 GHG emissions by 60% by 2030
2. Reduce absolute Scope 3[70] GHG emissions by 46.2% by 2030
3. Reduce absolute GHG emissions across all three scopes by 90% by 2050

Please find an overview of our current greenhouse gas footprint on *page 43*.

69. *https://sciencebasedtargets.org/*
70. *Including five additional emission categories for a more complete overview of our total emissions, as compared to previous year emission disclosures*

Ambition to achieve net zero tailpipe emissions by 2030

We consider our SBTs to be the minimum GHG emission reductions we want to achieve in the near and long term. We remain committed to our ambition, dating back to 2017, to achieve net zero tailpipe emissions from our funded fleet by 2030. Reaching this goal would see us deliver a 61% reduction in our Scope 3 emissions by 2030, far exceeding the 46.2% reduction needed to meet our near-term SBT.

Achieving our SBTs

Scope 3 emissions pose the biggest challenge to LeasePlan's GHG reduction ambitions. Transitioning our funded fleet to EVs is our single most important lever for overcoming this challenge and thereby lowering LeasePlan's overall GHG emission levels. In 2022, new EV activations reached 28%, a record high. To ensure that we continue to build on this foundation and prioritise our sustainable mobility targets, we have also included EV activation related KPIs in the remuneration targets of selected Executive Committee members.

LeasePlan's Scope 1 and 2 emissions may be significantly lower in volume, but they are no less important. To meet our target, we will transition our entire employee fleet to EVs, ensure all our electricity comes from renewable sources and promote greater energy efficiency in our office buildings and facilities.

Metrics and targets

As LeasePlan's emission reduction targets and pathways are yet to be validated by the SBTi, for the purpose of providing comparability with emissions metrics disclosed in previous Annual Reports, we provide the following updated data for 2022.

Target	Metric	
	2022	2021
Net zero tailpipe emissions from funded fleet 2030	• Tonnes of CO_2 tailpipe emissions from funded fleet: 3.8 m (within Scope 3)[71] • Average CO_2 tailpipe g/km per vehicle funded fleet: 113 g/km • Average CO_2 tailpipe g/km per vehicle employee fleet: 48 g/km • Thousands of tonnes of CO_2 tailpipe emissions in employee fleet (within Scope 1). Tonnes offset to zero (100%): 3.12 kt • Share of EVs in funded fleet: 15.4%[72] • Share of EVs in employee fleet: 55.6%	• Tonnes of CO_2 tailpipe emissions from funded fleet: 4.2 m (within Scope 3) • Average CO_2 tailpipe g/km per vehicle funded fleet: 121 g/km • Average CO_2 tailpipe g/km per vehicle employee fleet: 70 g/km • Thousands of tonnes of CO_2 tailpipe emissions in employee fleet (within Scope 1). Tonnes offset to zero (100%): 4.92 kt • Share of EVs in funded fleet: 11.1% • Share of EVs in employee fleet: 43.6%
Reduce energy usage at LeasePlan offices globally and increase share of renewable energy	• Total CO_2 emissions kg/m² from LP buildings: 18 Kg/m² • Renewable energy share of total from LP buildings: 71% (target increase of +10% by 2022 compared to 2018 numbers) • Reduction in energy use (kWh) per m² from LP buildings of 30 kWh (compared to 2020)	• Total CO_2 emissions kg/m² from LP buildings: 23 kg CO_2-eq/m² • Renewable energy share of total from LP buildings: 54% (target increase of +10% by 2022 compared to 2018 numbers) • Reduction in energy use (kWh) per m² from LP buildings of 25 kWh (compared to 2020)
Intensity ratio	• tCO_2e/€ mln revenue (2022): 396.24 tonnes CO_2-eq/€ mln revenue	• tCO_2e/€ mln revenue (2021): 420.32 tCO_2e/€ mln revenue

71. This KPI has received limited assurance from our external auditors

72. Based on volume. Electric Vehicles in the fleet globally are defined as Battery Electric Vehicles (BEVs) and Plug-in Hybrid Electric Vehicles (PHEVs). Data includes passenger vehicles (PVs) and light commercial vehicles (LCVs). Result is based on an assessment of the available dataset, which we continue to enhance

CASE STUDY: 8

Zero emissions made easy with LeasePlan's EV Readiness Calculator

"Is an EV right for me?" It's a question we hear every day – but now that a popular LeasePlan online tool has gone global, it's much easier to work out the right answer (hint: it is usually yes).

"Our goal is to grow electric mobility wherever possible," says Nderim Rexhepi, Senior Product Owner at LeasePlan Digital. "But we also need to be realistic about advising drivers on which vehicles are right for them. It depends on a range of factors – including their average journey time, the available charging infrastructure and their preferred makes and models."

In 2021, to help drivers determine whether they should make the switch, LeasePlan UK invented the EV Readiness Calculator. It was an instant hit, and thanks to the support of LeasePlan Digital, the calculator is now available in all LeasePlan countries.

"The tool asks users a few simple questions in a fun and engaging way," says Sandra Tappermann-Pieper, Chief Marketing Officer at LeasePlan. "It gives the driver insight into the pros and cons of different powertrains, all based on their particular situation. Ultimately, it provides a personalised summary of how ready the user is to go electric."

"But why stop there?" Nderim continues. "Next up, we're developing a calculator to help large corporate clients judge their EV fleet readiness."

The corporate version of the tool is another invention from LeasePlan UK, which has recently won awards with its 'Electric Moments' campaign and is also working on other EV-related calculators to boost the uptake of greener mobility solutions.

"These tools are a great way to show people what they stand to gain from making the switch," Sandra concludes. "We want to encourage people around the world to explore the EV Readiness Calculator so they can see how electrification could add up to big advantages for them as well as the planet."

"Next up, we're developing a calculator to help large corporate clients judge their EV fleet readiness."

Nderim Rexhepi
Senior Product Owner at LeasePlan Digital

iii. Understand and manage the Group's climate risks and opportunities to ensure our business is resilient across a range of potential climate futures

As a responsible company, LeasePlan recognises there is only a small window of time to prevent the worst effects of climate change and that bold actions must be taken today. Therefore, we aim to understand and manage the impact of climate-related and environmental (C&E) risks – including both physical and transition risks – on our business environment in the short, medium and long term and to integrate C&E risks that materially impact the business into our governance, strategy, Risk Management Framework, and metrics and targets. More detail on our activity in each of these areas is provided in the four subsections below.

This part of the Annual Report has been structured according to the supervisory expectations relating to C&E risk management and disclosures as set out within the ECB's 'Guide on climate-related and environmental risk' (hereafter: ECB Guide) and the European Commission's 'Guidelines on non-financial reporting: Supplement on reporting climate-related information', as well as the recommendations set by the Task Force on Climate-related Financial Disclosures (TCFD).

Governance of the potential impact of C&E events on LeasePlan's risk categories is aligned to LeasePlan's overall risk governance as it incorporates the responsibilities of the three lines as set out in the European Banking Authority Guidelines on Internal Governance (EBA/GL/2021/05).

1. Governance

In 2022, LeasePlan revised its governance structure to ensure its management body is accountable for identifying, evaluating, monitoring and managing C&E risks and opportunities, in line with Expectations 3 and 5 from the ECB Guide. Roles and responsibilities in relation to the management of ESG issues within LeasePlan, including the management of C&E risks, have been assigned to the Supervisory Board (SB), Supervisory Board Risk Committee, Managing Board (MB), Executive Committee (ExCo) and Group Risk Committee (GRC), based on their existing roles and responsibilities. These are formally documented in LeasePlan's C&E Risk Governance Framework, which is linked to all relevant charters, policies and standards (e.g. the Audit Charter or Group Standard on Lease Origination).

Responsibility for providing input to these bodies is assigned to the C&E Committee (CEC), a sub-committee of the GRC. Specifically focusing on C&E risk-related developments, the CEC was a new addition to the governance structure in 2022. It facilitates the discussion on C&E risk management between the first and second line based on C&E risk identification and assessment activities as outlined in LeasePlan's internal C&E Risk Driver Identification and Assessment Process. The CEC also maintains a C&E Risk Driver dashboard in which it monitors (key) risk indicators related to the C&E risks that are (potentially) material to LeasePlan. Finally, the Strategy & Transformation department is informed on the outcomes of all major identification and assessment activities to ensure that potentially material C&E risks and opportunities are not only considered from a risk perspective, but also from a strategy-setting perspective.

The CEC consists of the first line risk owners of key risk categories for C&E risks, as well as representatives from the Group Risk Management and the Group Sustainability functions. The CEC is chaired by the Group Risk Management function. The Group Risk Management function and the Corporate Affairs & Sustainability function have dedicated resources (FTEs) for the management of C&E risk within LeasePlan.

C&E risk governance summary

Supervisory Board	Responsible for: • Overseeing the delivery and implementation of LeasePlan's sustainability strategy, and the adequate embedding of ESG issues, incl. C&E risks, in the overall business strategy and Risk Management Framework. • Approving LeasePlan's Risk Strategy and Risk Appetite Statement
Management Board/ Executive Committee	Accountable for the development and implementation of LeasePlan's sustainability strategy, and the adequate embedding of ESG issues, inc. C&E risks, in the overall business strategy Responsible for development of LeasePlan's Risk Strategy and Risk Appetite Statement
Group Risk Committee	Responsible for: • Ensuring adequate consideration of the potential impact of C&E risk events in the annual strategic risk assessment • Ensuring adequate consideration of the potential impact of C&E risk events in the risk strategy, Risk Appetite and capital/liquidity planning • Ensuring adequate consideration of the potential impact of C&E risk events in the policies, standards and tolerance levels for individual risk types • Monitoring of adherence to risk policies and standards, inc. the incorporation of the potential impact of C&E risk events where relevant • Monitoring and managing of the actual risk profile against the Risk Appetite and risk strategy, inc. the potential impact of C&E risk events where relevant • Monitoring existing and emerging risk developments and trends, inc. those related to C&E risk events • Monitoring and ensuring compliance with changes in regulations related to C&E risk events • Overseeing adequate consideration of the potential impact of C&E risk events in key (regulatory) processes such as ICAAP, ILAAP, Recovery Plan and Pillar 3 reporting
C&E Committee	Responsible for: • Facilitating the discussion between the first line risk owners and the Group Risk Management function regarding C&E risk related topics • Defining actions, owners and due dates derived from the items as described in the first bullet, and performing follow-up on these actions • Enabling reporting and escalation on C&E-specific risk indicators to the GRC in line with the responsibilities outlined above and the mandate of the Risk Management function • Enabling reporting and escalation on C&E-specific risk indicators to the ExCo/MB and SB in line with the responsibilities outlined above and the mandate of the Risk Management function • Providing reporting to the Strategy & Transformation team on the outcomes of the assessments of C&E risk events • Designing, discussing and validating the outcomes of the C&E risk identification exercises, including any related issues and follow-up actions. These risk identification exercises include, but are not limited to, the Materiality Assessment, the C&E RCSAs and the Climate Stress Testing exercises • Alerting the organisation on C&E events or regulatory changes relating to C&E risks
ECB C&E Project SteerCo	Responsible for the implementation of C&E risk management within LeasePlan, in line with the ECB's 13 expectations set out in the ECB Guide
Corporate Affairs & Sustainability	Responsible for: • Identifying known and emerging C&E risk events • Translating C&E risk events to potential impact of LP risk categories • Alerting first line risk owners of the C&E risk events that may impact their risk category • Supporting first line risk owners with the assessment of the potential impact of C&E Risk events to their risk category • Maintaining a registry of C&E risk events and their translation to potential impacts on LeasePlan's risk categories • Co-chair and drive the C&E Risk Forum
First line risk owners	Responsible for: • Assessing the potential impact of C&E risk events on LP risk categories together with the Sustainability team • Presenting the results and conclusions of the C&E related RCSAs • Validating the outcomes of C&E risk impact assessments for their risk category • Determining a risk response (avoid, transfer, accept or mitigate) to the potential impact of C&E risk events for their risk category • When the response is mitigation – defining, implementing and testing the effectiveness of controls to mitigate the potential impact of C&E risk events
Strategy & Transformation	Responsible for taking the outcomes of the assessments of C&E risk events into consideration in the continuous strategy development process and strategic planning

Group Risk Management & Compliance Function (second line)	Responsible for: • Challenging the identification of C&E risk events and translation to potential impacts on LP risk categories by the Sustainability team • Challenging the assessment of the potential impact of C&E risk events on LP risk categories by the first line risk owners (incl. co-chairing and driving the C&E Risk Forum) • Incorporating C&E risk events and their potential impacts on LP risk categories into the Risk Strategy, Risk Appetite Statement and Risk Taxonomy • Incorporating C&E risk events and their potential impacts on LP risk categories into its stress-testing scenarios • Incorporating C&E risk events and their potential impacts into Risk Management Framework • Monitoring effectiveness of key controls for C&E risk events and potential impacts • Incorporating reporting on C&E risk events and potential changes in risk profiles into the Integrated Risk Management Reports
Group Audit (third line)	Responsible for: • The review or audit of the sufficient consideration of the potential impact of C&E risk events on LP risk categories, including the determination of appropriate risk responses, as well as the incorporation into the Risk Appetite Statement, the Risk Taxonomy, the Risk Management Framework and relevant risk policies, standards and procedures

2. Strategy

LeasePlan is committed to actively managing its C&E risks and opportunities, and to implementing mitigating actions where needed. This approach is based on our assessment of LeasePlan's most material C&E risks. It is also informed by qualitative and quantitative scenario analysis, through which LeasePlan can better determine the potential impacts of its identified C&E risks, as well as appropriate mitigating actions. This scenario analysis is performed across short-, medium- and long-term time horizons, aligned with TCFD recommendations and in support of future disclosures in line with the expectations of the ECB Guide:

Short-term (0-5 years): Accounts for current Risk Management Framework, capital planning and asset lifecycle

Medium-term (6-15 years): Accounts for significant policy timeframes, including a variety of climate targets at the 2030 horizon

Long-term (16-30 years): Accounts for significant policy timeframes towards the Paris Agreement 2050 deadline for a net zero economy

Identified C&E risks

The starting point of our C&E risk identification process is a standard subdivision of C&E risk drivers as outlined in the table below. For the analysis of each sub-segment, LeasePlan has identified so-called signposts: macro-indicators that can be used to monitor global or regional C&E trends within a sub-segment. The examples and signposts below are not exhaustive and should be viewed in conjunction with existing risk-related information, such as fleet composition and industry concentrations.

Standard segmentation of C&E risks

	Segment	Sub-segment	Example	Signposts
Climate-related risk	Transitional risk[73]	Policy	Changes in creditworthiness of clients or residual values of LeasePlan's vehicles due to carbon-adverse policies	CO_2 emissions, CO_2 price, Drivetrain projections
		Technology	Changes in market (share) positions due to the (un) availability of EV charging infrastructure Changes in market (share) positions due to technological advances from OEMs or competitors	EV charging infrastructure, Drivetrain projections
		Market sentiment	Changes in customer sentiment impact LeasePlan's funding model	Shareholder/customer behaviour, Drivetrain projections
	Physical risk	Acute	Increasing damages and insurance claims due to extreme weather events	Type and severity of extreme weather events
		Chronic	Reduction in profitability in specific geographical areas due to shifting weather patterns	*In scope for the 2023 cycle*
Environmental risk		Environmental degradation	Changes in costs or revenues due to, e.g. water stress, pollution, resource scarcity or biodiversity loss	*In scope for the 2023 cycle*

73. Transition and physical risk: for both climate risk types LeasePlan aligns with the definition provided in the ECB Guide

Climate scenarios

To consistently assess the potential C&E risks identified above across various future trajectories, LeasePlan uses the Network for Greening the Financial System (NGFS) scenarios. These scenarios are endorsed by the ECB and enable comparability with other institutions. NGFS scenarios provide a common and up-to-date reference point for understanding how climate change (physical risk) and climate policy and technology trends (transition risk) could evolve in different futures. They also benefit from well-defined narratives and supporting data, and comprise a '2°C or lower' scenario, as prescribed by the TCFD. Additionally, data from the Internal Energy Agency (IEA) is used and applied on the NGFS scenarios.

To cover a broad range of physical and transition risks, the NGFS has designed six scenarios covering three dimensions (Orderly, Disorderly and Hot House World). These scenarios share similar socio-economic assumptions and assume a continuation of current economic and population trends. LeasePlan has selected three scenarios, which are briefly highlighted below. The selected scenarios adequately reflect the various potential futures LeasePlan could face, while also being considered the most relevant for LeasePlan's business model. Each scenario was chosen to show a range of higher- and lower-risk outcomes.

Scenario 1 – Current Policies: With no new policy action, global warming increases from 1.10°C currently to 2.50°C by 2030 and 3.30°C by 2050. In this scenario, operations and supply chains globally exposed to strongly increasing physical risk events (e.g. hail, flood, wildfire and wind).

Scenario 2 – Delayed Transition: This scenario involves a sudden increase in the intensity of climate policy in 2031, following an initial period during which emissions reduction policies are largely ineffective. Carbon prices remain low until 2030, and then rise steeply by 2035 and 2050. With implementation of policies to reduce emissions delayed, global warming continues to increase from 1.10°C currently to 1.80°C by 2040, before stabilising around 2050.

Scenario 3 – Net Zero 2050: In this scenario, policy changes accelerate to facilitate rapid decarbonisation. Most of LeasePlan's operating jurisdictions reach net zero by 2050, with renewable energy accounting for 70% of global consumption by this point. With effective policies in place to reduce emissions, global warming increases from 1.10C currently to 1.40°C by 2030 and is limited to 1.50°C by 2050.

Materiality assessment

a. Macro-economic scenario analysis

As step one of its annual C&E risk identification process, LeasePlan conducted a macro-economic scenario analysis in 2022. Part of this analysis involves describing how macro-indicators relevant to LeasePlan's business activities are expected to develop according to the predefined scenarios. Our inputs are derived from internationally renowned third-party institutions, which include economic research institutes and multinational organisations.

The full version of the macro-economic scenario analysis is used internally and is closely aligned with the more detailed materiality assessment in terms of assessment dimensions (scenarios, timeframes and key indicators). The macro-economic scenario analysis is qualitative and serves as a safety net to ensure LeasePlan does not overlook risk drivers. The materiality assessment, by contrast, is quantitative and focuses on the most material transmission channels LeasePlan has identified.

LeasePlan has qualitatively assessed the expected future developments of the signposts mentioned in the table below. The results of this assessment are summarised here.

	Segment	Sub-segment	1. Current Policies	2. Delayed Transition	3. Net Zero 2050
Climate-related risk	Transitional risk	Policy	Transition risks will be more limited in the short term due to a lack of effective policy action, although over the medium to longer term the costs of managing LeasePlan's C&E risks may be higher as the prevailing policy environment remains unconducive to the effective management of C&E risks. In the absence of policy reactions, transition risk is limited to asset risk as EVs are potentially over-represented in LeasePlan's fleet compared to second-hand market demand.	In this environment, transition risks for LeasePlan do not notably increase in magnitude or likelihood over the short term. However, in the medium term, the delayed policy reaction is expected to hamper the realisation of LeasePlan's 'Driving to Zero' strategy, leading to higher costs or reputational damages. After the transition picks up speed, LeasePlan is well-positioned to respond to this trend.	The smooth policy transition towards a net zero economy is well-aligned with LeasePlan's 'Driving to Zero' strategy. Transition risk is limited and mainly relates to LeasePlan's ability to match the pace of the transition.
		Technology	In the absence of a policy reaction, electrical energy demand for personal transportation is projected to exceed supply from EV charging infrastructure, which would hamper the uptake of EVs and therefore impact the 'Driving to Zero' strategy. From 2028 onwards the shortage disappears due to lagging EV uptake and growing supply.		In this scenario electrical energy demand for individual transportation overshoots supply beyond 2030 due to continued high uptake of EVs. Supply, however, grows too, thereby not significantly impacting either the uptake of EVs or, therefore, the 'Driving to Zero' strategy.
		Market sentiment	Retail customers and shareholders both favour 'greener' service providers. This holds for all scenarios, while showing a slightly more positive effect in the Net Zero 2050 scenario. This is due to LeasePlan being in a better position to promote itself to customers and issue additional Green Bonds to investors, as EVs will have a higher proportion in the fleet composition. In the Delayed Transition scenario, stakeholder sentiment is expected to drive rapid climate action towards 2030, which may magnify transition risks for LeasePlan.		
	Physical risk	Acute	Acute physical risk events are expected to be most common in this scenario. With increased global warming, LeasePlan's operations and supply chain will also be exposed to greater physical risk events towards 2050. LeasePlan vehicles and operational sites will likely be damaged more often by severe weather events, leading to more and higher insurance claims and – in extreme cases – business continuity issues.	In the Delayed Transition and Net Zero 2050 scenarios extreme weather events are expected to be less common than in the Current Policies scenario, due to the actions being taken to mitigate climate change. Extreme weather events will still occur, however, with a slightly higher expected frequency and severity in the Delayed Transition scenario. LeasePlan vehicles and operational sites will likely be damaged slightly more often by severe weather events, leading to more and higher insurance claims and – in extreme cases – business continuity issues.	
		Chronic	*In scope for the 2023 cycle*		
Environmental-related risk		Environmental degradation	*In scope for the 2023 cycle*		

The outcomes of the macro-economic scenario analysis were combined with multiple other C&E risk sources, which led to a final long list of C&E risk transmission channels. Further information on the materiality assessment process is shown in the Risk management section 3 on *page 59*.

b. Detailed materiality assessment of climate-related risks

The materiality assessment outcomes were expressed in terms of their impact on relevant LeasePlan P&L items and total risk exposure amount (TREA). Each C&E risk driver is assessed using an 'unmanaged' and a 'managed' case[74]. LeasePlan ranks all assessed C&E risk drivers based on the combined impact in the year 2030 under the worst-case scenario. Materiality was assessed with key stakeholders against the risk-bearing capacity of LeasePlan within the given risk category. The monitoring of these risk drivers includes the insights obtained from this exercise and we use these insights to prioritise the roll out of risk management measures. The tables below provide a description of all short-listed and assessed transmission channels per risk category.

LeasePlan risk category	Asset risk	
Risk area	Transitional risk	Policy, Technology, Market sentiment
Risk description	LeasePlan's earnings could be hit by a decline in residual value of ICE vehicles/non-BEVs as a result of stark policy changes, changes in stakeholder sentiment or rapid technological advances.	
Potential impact (unmanaged)	Sped-up climate-related policy action, on a local, national or supranational level, targeting the automotive sector directly or indirectly (such as ICE vehicle bans or increased carbon prices for OEMs) could negatively influence ICE vehicle residual values. This is especially the case if these measures would put pressure on the rate with which the lease market needs to adjust (e.g. towards EVs). With this risk driver being left unmanaged, LeasePlan could be exposed to greater asset risk and potentially reduced PLDV. To a similar extent, public opinion on individual transport or specific drivetrains is subject to change and, therefore, uncertain. Shifts in preferences will influence the second-hand market and could put pressure on the earnings model. LeasePlan has predictive and detective models in place to pick up and act on such changes. Rapid technological advances have the potential to impact asset risk, however these advances are being closely followed, and LeasePlan has an open model in bringing new, more efficient and more sustainable drivetrains to the market due to the rapid turnover of its fleet (average contract period of 36 to 60 months).	
Likelihood	The results from our quantitative materiality assessment of the transmission channels above are that the potential impacts are likely to be most severe in the medium term in the Delayed Transition scenario given the likely elevated presence of ICE vehicles/non-BEV vehicles in LeasePlan's fleet. LeasePlan has significantly reduced the likelihood of this risk affecting future profits given its forward position, envisaging the end of the ICE vehicle predominance around 2035.	
Response/ mitigation	LeasePlan has assessed that its current set of predictive and detective controls, strengthened by the 'Driving to Zero' strategy and the initiation of science-based targets (see also *page 46*: ii. Reduce our carbon footprint to net zero), give sufficient control over this transition asset risk. Given the importance of this risk driver, LeasePlan has translated this risk driver into adequate risk indicators to continuously follow up on trends, and has included the operational execution of these controls in its internal control frameworks. In 2022, LeasePlan set up a dedicated risk committee (see *page 49*: i. Governance) to ensure that the first and second line are both aware of C&E risk drivers, and that formal reporting to the highest risk committee at Group level can take place.	
Residual risk post-mitigation (managed)	The residual climate risk post-mitigation for this risk category is assessed as within risk-bearing capacity across all scenarios and the short- and medium-term timeframes. Country-by-country differences have been found, which are primarily related to how forward national governments are in implementing climate change policies and facilitating the shift to EV. These variations are flagged for further analysis and follow-up together with the local entities.	

74. The difference between both cases is whether management measures are taken into account in the impact assessment. In the unmanaged case, no management measures are considered but the current strategy and internally available portfolio forecasts – resembling an 'inherent risk' approach. In the managed case, (statistical) management measures are applied to factor in a simulation of LeasePlan's business model – resembling a 'residual risk' approach.

<table>
<tr><th>LeasePlan risk category</th><th colspan="2">Credit risk</th></tr>
<tr><td>Risk area</td><td>Physical and Transitional risk</td><td>Technology, market sentiment</td></tr>
<tr><td>Risk description</td><td colspan="2">1. LeasePlan’s customers could be hit by sudden reduced credit worthiness over the contract lifetime due to physical climate-related or environmental shock to their business. Effects would be mostly visible in the liquidity position or payment behaviour of the client.
2. LeasePlan’s customers could be hit by ongoing reduced credit worthiness over the contract lifetime due to climate or environment-related changes (transition risks), affecting their business model and viability. Effects would be mostly visible in increased transition costs, reduced margins or a steady decline in turnover.
This scenario would lead to an overall weakening and deterioration of the LeasePlan portfolio.
This risk focuses on the credit and repayment aspect of the leasing contract. The value of the collateral is covered under the asset risk category.</td></tr>
<tr><td>Potential impact (unmanaged)</td><td colspan="2">The scenario developed for physical climate risk induced credit risk (1) would lead to unpaid instalments or contract foreclosure, with clients unable to repay the agreed amounts at the agreed frequency. In this scenario, we expect financial impact to be most severe for clients most prone to climate and environmental shocks, in either their business model or their supply chain. In the unmanaged scenario, the impact is aggravated if we have an overexposure in credit risk to such clients.
The scenario developed for transitional climate risk induced credit risk (2) would lead to an overall weakening of the quality of the credit portfolio. Causes of a weakened portfolio can impact both sides of the clients' P&L profile. Our scenario takes into account diminishing profitability and/or income due to: i) the transition to a carbon-neutral economy (leading to a gradual shift in client preferences), ii) the increase of costs due to either moving to a more carbon-neutral economy or due to insufficient progress in preparing for climate change (e.g. resulting in increased CO_2 prices, costs of pollution, costs of sourcing and using non-sustainable resources).
We expect in our scenarios that the potential credit risk is higher over a mid- to long-term time horizon, taking into account the time horizons provided by the NGFS scenarios. Nevertheless, in the unmanaged case, the impact was assessed as low across all time horizons and scenarios.</td></tr>
<tr><td>Likelihood</td><td colspan="2">The likelihood of physical climate risk induced credit risk happening is highest for customers in industries disproportionately affected by an increase in physical climate-related risk (e.g. agriculture), customers in carbon-intensive industries, and for less ESG-developed clients (e.g. oil and gas).
Because of the wide range of sectors LeasePlan services, the likelihood of one of these sectors being affected, either directly or through knock-on effects, is inherently present.</td></tr>
<tr><td>Response/ mitigation</td><td colspan="2">Lease agreements typically cover a 36-, 48- or 60-month period, mitigating risk. There are no products other than leasing in the LeasePlan credit portfolio.
In addition, as part of a sound credit management process on a portfolio level, LeasePlan closely monitors any risk concentration that may occur within its leasing portfolio, on a sectoral, geographical and client basis and at a frequency sufficient to avoid any evolutions going under the radar. An ESG (including climate-related risks) screening process is also in place for all our large clients, enabling LeasePlan to identify potential physical or transition risks at counterparty level. The screening process is conducted both at the lease origination stage and on an annual basis.
The combination of these factors means that close monitoring of both short- and medium-term indicators (from payment behaviour to sectoral indicators) provides us with the tooling to adequately mitigate physical or transitional climate induced credit risk. This is complemented by a tight follow-up procedure on payment behaviour on a client basis. Payment behaviour acts as an early warning signal on reduced liquidity or future solvency problems.</td></tr>
<tr><td>Residual risk post-mitigation (managed)</td><td colspan="2">The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes.</td></tr>
</table>

LeasePlan risk category	Strategic risk	
Risk area	Transitional risk	Market sentiment, Policy, Technology
Risk description	1. Adverse stakeholder sentiment results in a loss of customers due to LeasePlan not meeting customers' ESG-related expectations or growing anti-car sentiments. 2. Adverse stakeholder sentiment results in a loss of customers due to customers not meeting LeasePlan's ESG-related expectations. 3. Insufficient charging infrastructure could hamper LeasePlan's 'Driving to Zero' implementation, as insufficient charging infrastructure slows the uptake of EVs.	
Potential impact (unmanaged)	The potential impact is most severe in the medium term in the Current Policies and Delayed Transition scenarios, with LeasePlan being more greatly exposed to increasing stakeholder concern regarding climate change. In all scenarios, however, we deem the potential impact on LeasePlan to be low due to the mitigating measures contained in LeasePlan's 'Driving to Zero' ESG strategy. This strategy includes the ambition to achieve net zero tailpipe emissions from its funded fleet by 2030 and broader actions to improve our ESG performance. A tangible example of such actions is the adoption of science-based targets (see also *page 46*: ii. Reduce our carbon footprint to net zero).	
Likelihood	The likelihood of the shift to a more sustainable mindset is close to a certainty. This is apparent among our clients, partners and suppliers. The speed and overall acceptance of such change, however, is gradual, and diverges strongly in the different regions that are relevant for LeasePlan. To assess this, LeasePlan not only used the NGFS scenarios for general guidance, but also performed assessments at a local level. This has resulted in a more nuanced view on the likelihood regarding the transition to a low-carbon economy.	
Response/ mitigation	LeasePlan is a frontrunner in providing sustainable mobility and is actively positioning itself as such. In 2017, LeasePlan launched its ambition to reach zero tailpipe emissions from its funded fleet by 2030. In 2021, LeasePlan launched its 'Driving to Zero' strategy, thereby addressing a wider range of ESG issues. These two efforts have helped in addressing the most important expectations of our stakeholders. Regarding any potential increase in anti-car sentiments, LeasePlan monitors stakeholder and customer sentiment through various channels, including its Mobility Insights Report, its annual Net Promoter Score survey, and the materiality assessment that informs the development of its ESG strategy. To ensure sufficient charging infrastructure is available for its customers, LeasePlan offers its customers home-charging solutions through partnerships with leading charging providers and actively advocates for more public charging infrastructure through platforms like COP27, the EV100 and thought leaderships publications. In addition, the proposal for an EU Alternative Fuels Infrastructure Regulation[75] is a welcome development.	
Residual risk post-mitigation (managed)	The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes. LeasePlan's current business model allows flexibility in adjusting to trends and client preferences, and our 'Driving to Zero' strategy puts us at the forefront of the energy transition.	

75. COM(2021) 559 final, European Commission

LeasePlan risk category	Operational risk	
Risk area	Transitional risk	Technology, market sentiment
Risk description	1. Climate-related severe weather events disrupt or damage LeasePlan operations. 2. Climate-related severe weather events disrupt LeasePlan's outsourced services. 3. Climate-related severe weather events disrupt LeasePlan's supply chain.	
Potential impact (unmanaged)	Severe weather events (e.g. hail, flood and windstorms) create the risk of disruption to LeasePlan's operations, outsourced services and supply chain. Examples of own operations and outsourced services potentially impacted (e.g. by closures due to severe weather events) are LeasePlan data centres, offices and RMT locations. Examples of potential supply chain impacts are OEM production issues, reduced availability of key components or price increases resulting from such issues. Inherent risk is assessed to be limited overall but most severe in the long-term timeframe and Current Policies scenario. Only a limited proportion of our own operations and outsourced services are in locations where severe weather events are expected to increase in frequency. In addition, supply chain disruptions are likely to limit the supply of new cars/parts, resulting in a corresponding increase in used-car prices, mitigating potential financial impacts on LeasePlan.	
Likelihood	The severity and frequency of extreme weather events is highly likely to increase, albeit more in the Current Policies scenario than in the Net Zero 2050 scenario.	
Response/ mitigation	LeasePlan's Business Continuity Plan outlines the management of the potential impacts of operational disruptions. We also purchase insurance against damages to our owned and operated assets, thereby transferring the impact of C&E risk events. Supply chain disruption impacts are mitigated through Service Level Agreements with LeasePlan's suppliers. All key outsourcing providers' own business continuity plans have been assessed in relation to severe weather events.	
Residual risk post-mitigation (managed)	The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes, as LeasePlan has a Business Continuity Plan to manage operational disruptions and purchases insurance against damages to its operations. LeasePlan is also able to pass on inflationary costs to its customers.	

LeasePlan risk category	Treasury risk	
Risk area	Transitional risk	Technology, market sentiment
Risk description	1. Changing stakeholder sentiment resulting in difficulty in attracting funding. 2. Changing stakeholder sentiment resulting in increased cost of funding.	
Potential impact (unmanaged)	LeasePlan could run into difficulty in attracting funding and/or be exposed to an increased cost of funding if its investor base becomes dissatisfied with its (ESG) strategy. Potential impacts would be most severe in the Net Zero 2050 scenario, under which investor scrutiny will be highest. However, due to the inherent nature of LeasePlan's funding model (with its diversified funding platform and Green Finance Framework) and our active positioning as a leader in sustainable mobility, the absolute impact is assessed to be low in all timeframes across the different scenarios.	
Likelihood	As investor scrutiny will be highest in the Net Zero 2050 scenario, the likelihood of LeasePlan running into increased costs for funding is mostly likely to play out in the Net Zero 2050 scenario, followed by the Delayed Transition scenario. In both cases, the effect is most pronounced in the long-term timeframe.	
Response/ mitigation	LeasePlan's diversified funding platform, Euro Medium-Term Note Programme, Green Finance Framework and 'Driving to Zero' ESG strategy are all aimed at either providing optimisation options or staying ahead of the market from a sustainability perspective.	
Residual risk post-mitigation (managed)	The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes.	

LeasePlan risk category	Motor insurance risk [76]	
Risk area	Physical risk	Acute (extreme weather events)
Risk description	1. Severe weather causes damage to LeasePlan vehicles.	
Potential impact (unmanaged)	LeasePlan's core assets – its vehicles – may be damaged by severe weather events (e.g. hail, flood, or windstorms), resulting in an increase in catastrophe claims and a reduction in insurance profits. In addition, this could lead to an inability for LeasePlan to reinsure C&E risk in some countries, further reducing insurance profits. The severity of these events and their potential impacts will increase over time across all scenarios if climate change accelerates. The most severe impact is expected in the long term under the Current Policies scenario, however, overall impacts are expected to be manageable. Given the regional character of extreme weather events, country-by-country differences are to be further monitored and investigated by the respective first line risk owners (see also *page 49*: i. Governance).	
Likelihood	The likelihood of severe weather events potentially impacting LeasePlan vehicles is highest in the long term under the Current Policies scenario. However, given current climate projections, the likelihood is expected to increase over time in all three scenarios.	
Response/ mitigation	LeasePlan requires all local entities to retain insurance against hail, floods and windstorms, whereby the potential impact of damage to LeasePlan's vehicles as a result of severe weather events is transferred to its insurers.	
Residual risk post-mitigation (managed)	The residual risk post-mitigation of climate risk for this risk category is assessed as within risk-bearing capacity across all scenarios and timeframes.	

In addition to the C&E risks identified above, LeasePlan has also identified a number of opportunities for its business related to the transition to a low-carbon economy. In particular, the company sees the provision of low and zero emission vehicles to its customer base as a major business opportunity in response to changing stakeholder sentiments around ICE vehicles and EVs. LeasePlan has proactively captured this opportunity with its ambition to achieve net zero tailpipe emissions from its funded fleet by 2030 (announced in 2017), as well as by setting science-based targets (see also *page 46*: ii. Reduce our carbon footprint to net zero). Further information on how LeasePlan aims to capture this opportunity can be found under the subsection 'Lead the transition to sustainable mobility' on *page 44*.

Another opportunity identified through this assessment involves LeasePlan's green funding possibilities. Our Green Finance Framework allows us to attract funding at favourable rates, decreasing our overall funding costs.

76. *LeasePlan Corporation as well as LeasePlan Insurance have invested in this topic in light of new stress testing requirements and the Own Risk and Solvency Assessment, respectively. The approaches taken by LeasePlan Corporation and LeasePlan Insurance have been aligned on scope and scenarios used. The results have been compared to ensure consistent interpretation. Alignment will continue in 2023*

3. Risk management

LeasePlan recognises that the climate crisis, and thus the uncertainties on climate and environment, are a driver of risk and will have an impact on how we run our business, both today and in the future. LeasePlan has determined ways to improve our understanding of C&E risks and to ensure their incorporation into our overall risk management processes.

Identification of C&E risks

LeasePlan uses a variety of measures to identify climate risks, both bottom-up and top-down, using information sourced both internally and externally. The information sourced through these measures is aligned with LeasePlan's Risk Management Framework in terms of structure and terminology. As C&E risk management is a quickly developing and maturing area of expertise, the alignment with the Risk Management Framework enables as many employees as possible to connect with and contribute to this process.

All C&E risk driver identification measures are governed as described in LeasePlan's C&E Risk Governance Framework. Material C&E risk-related matters are discussed in the Climate and Environment Committee (CEC), a delegated subcommittee of the Group Risk Committee (GRC).

In 2022, LeasePlan took steps to better understand the impact of C&E risk drivers on its business environment in the short, medium and long term in order to make more informed strategic and business decisions. Key steps in this process included:

a. Review of the longlist of C&E risk drivers

Building upon our work in 2021, we regrouped and realigned the C&E risk transmission channel longlist in alignment with LeasePlan's Risk Taxonomy and Risk Terminology to ensure a proper fit with the Risk Management Framework. Key developments here included:

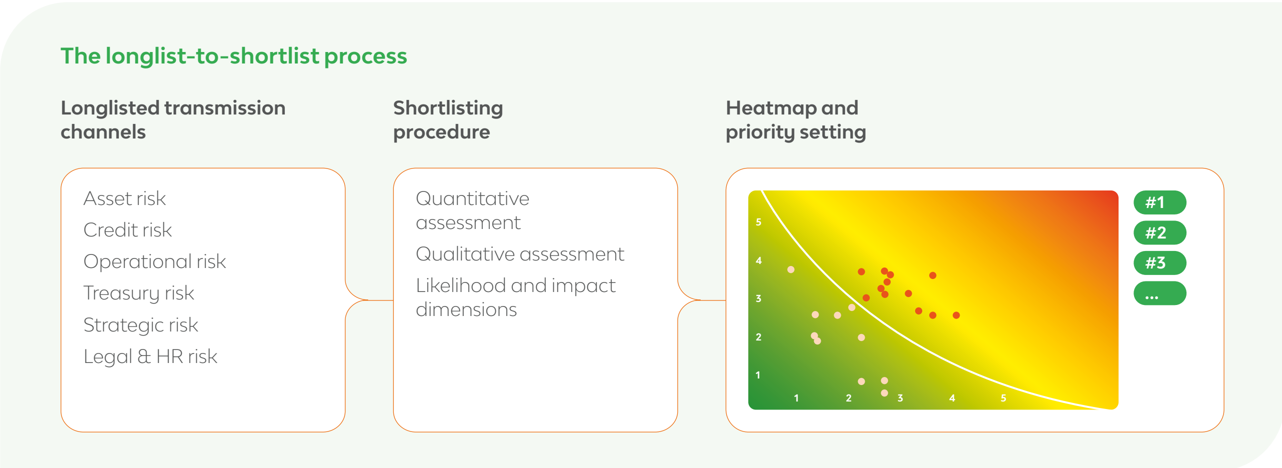
i. Linking all previously listed C&E risk drivers to LeasePlan's Risk Taxonomy

LeasePlan's 2021 external climate risk assessment was based on a comprehensive list of climate risks and opportunities facing LeasePlan in alignment with the TCFD recommendations. The internal climate risk assessment was based on extensive research and identification of ESG risk scenarios that could potentially impact LeasePlan's risk categories. In 2022, the Group Risk Management function and Sustainability function regrouped all C&E risk transmission channels and matched them to LeasePlan's Risk Taxonomy.

ii. Consolidating both assessments into the C&E risk longlist

LeasePlan conducted an iterative process to arrive at a longlist of 23 C&E risk transmission channels. First, the C&E risk transmission channels were reordered according to the assigned risk category and rewritten to ensure a good fit with LeasePlan's Risk Terminology. Second, all C&E risk transmission channels were grouped based on risk category and subsequently checked for duplicates. Any duplicates found were not discarded but documented as a sub-transmission channel of the most relevant C&E risk transmission channel. Finally, the resulting longlist, consisting of 23 C&E risk transmission channels, was validated with several internal risk experts and the relevant management body.

b. Refining the longlist-to-shortlist process



Based on the final C&E risk longlist, a combination of qualitative and quantitative assessments of all C&E risk transmission channels was performed as a first step in identifying a shortlist of the most material C&E risk transmission channels. All C&E risk transmission channels were assessed on their potential impact and likelihood within a given time horizon (2030).

We aimed to identify whether the use of specific NGFS scenarios led to significantly different outcomes for the longlisted C&E risk transmission channels. All C&E risk drivers were subsequently mapped on an Impact-Likelihood heatmap, and the scenarios above a predefined threshold were shortlisted. All reasoning was documented, supported by the risk owners and validated by the CEC.

Due to the evolving nature of climate-related and environmental impacts and the fact that the identification, assessment, monitoring and management of climate risks is still subject to development, LeasePlan recognises the need to conduct the longlist-to-shortlist process at least annually. This will ensure the completeness of LeasePlan's longlist of climate-related and environmental risks, evaluate changes in the underlying macro-economic variables, and examine the variations in the outcomes of this priority-setting exercise.

Assessment of C&E risks

LeasePlan uses a variety of tools to continually assess relevant C&E risks. The outcomes of these assessments drive changes in the longlist and shortlist of the C&E transmission channels. This is a process under supervision of the CEC, and is quality-assured by involving the relevant business experts. Key tools include:

a. Scanning for regulatory and policy developments on an ongoing basis

LeasePlan's Regulatory Watchtower (RW) scans for regulatory developments related to climate change and other relevant factors in the context of C&E risks and applicable to LeasePlan, with its scope clearly outlined in the respective Terms of Reference. The RW also covers C&E risk-related regulatory developments at European Union (EU) level. We therefore aim to have a Corporate Affairs & Sustainability representative present at all RW meetings.

C&E risk drivers may also stem from policy developments outside the RW's scope. For example, local C&E risk-related regulations or policies may not be picked up by the RW (as they ought to be picked up by the local entity). Therefore, the CEC regularly reviews local regulatory or policy changes, such as city-centre ICE bans (as seen in Germany, Belgium and the Netherlands).

b. Analysing and assessing C&E-related incidents on an ongoing basis

Incidents logged and analysed by the LeasePlan entities are also available and analysed on a central level.

The overview of recent relevant incidents is prepared by the second line for discussion in the CEC. The analysis includes an assessment of the root cause and failed controls. Monitoring takes place to detect any potential deterioration of the risk profile or trends which require action, including changes to the current monitoring and control framework.

c. Portfolio analysis of large client C&E risk assessments on an ongoing basis

LeasePlan assesses its largest clients on their ESG performance, with a specific focus on climate-related risks. The assessment aligns with the Lease Origination and Monitoring process and uses a two-tier approach, which in practice is called a simplified due diligence and enhanced due diligence.

The simplified due diligence consists of attaining several externally sourced ratings, via which each client is assigned a low, medium or high-risk score and profile. High-risk clients and clients for which no data is available undergo enhanced due diligence, which includes additional qualitative criteria, such as a controversy screening. A recommendation is then prepared for the Combined Risk & Pricing Committee to take the information into consideration when accepting or declining the client relationship.

The CEC periodically reviews the assessment outcomes of the client profiling exercise. Together with the overall risk profile, the analysis also serves to detect outliers or concentration risks across industries or geographies.

d. Analysing the C&E risk-related output of the annual Risk & Control Self-Assessment (RCSA)

The CEC and the Non-Financial Risk Management (NFRM) team initiate the annual RCSA exercise. The CEC then reviews the results of the RCSA and validates the conclusions. The conclusions are also shared with the entities to strengthen the global Risk Management Framework.

e. Performing a materiality assessment on an annual basis

The process runs as follows. In step one, the materiality assessment exercise begins with the selection of scenarios, and macro-economic and internal risk drivers. This selection is based on the latest available supervisory expectations and guidance, such as the ECB Guide, best practices and NGFS communication. A modelling approach is then developed for each shortlisted C&E risk transmission channel by a joint team of external experts, the Group Risk Management function, the Corporate Affairs & Sustainability function and the respective first and second line risk owners. The results of the C&E models are then validated by the first and second line risk owners, the respective governing body and, finally, the Executive Committee. Updates to the breadth of the materiality assessment and the modelling approach used are subsequently refined on an annual basis. Materiality was assessed with key stakeholders against the risk-bearing capacity of LeasePlan within the given risk category. A summary of the results and materiality per risk category is presented in the subsection 'II. Strategy'.

f. Performing a competitor analysis on an annual basis

LeasePlan performs an annual competitor analysis to understand how its peers are approaching C&E risk identification and measurement. The peer group includes both Car-as-a-Service companies and financial institutions to capture as many as possible similarities with LeasePlan's risk profile and business model. The peer group selection is validated by both Risk and Corporate Strategy.

g. Performing a macro-economic scenario analysis on an annual basis

LeasePlan performs an annual macro-economic scenario analysis to keep track of macro-level developments relevant to its business environment and business model, and specifically those stemming from C&E related developments.

The analysis aligns closely with the materiality assessment in terms of scenarios, timeframes and key indicators used. The macro-economic scenario analysis serves as a safety net to ensure LeasePlan does not overlook risk drivers. Each year, the macro-indicators and the assessment are evaluated and updated. The results are validated by the CEC.

Management of C&E risks

LeasePlan has developed an extensive toolset to adequately assess C&E-related risks, allowing senior management and risk owners to decide, steer and take informed decisions with regards to C&E-related risks and drivers. In this context, LeasePlan strives to fully integrate C&E into the Risk Management Framework and has taken significant steps in doing so in 2022, including:

a. Setting limits and monitoring risk indicators on an ongoing basis

The management of C&E risks starts with setting risk indicators and boundaries for these risk indicators in line with the Internal Control Framework. Doing so is a combined task for the first line Corporate Affairs & Sustainability team, first line risk owners and second line ESG risk specialists, in line with their representation in the CEC. The second line Risk function, independently from the first line, performs monitoring and escalation when required. This role is aligned with the mandate for the Group Risk function within LeasePlan.

Both monitoring and assessments can lead to the detection of issues and the formulation of actions. The CEC's role is to follow up on these actions, set priorities, and escalate where appropriate. Also here, the second line risk function can independently of the CEC escalate any issue within the Group Risk function.

b. Incorporating C&E risks into the Risk Charter, Risk Taxonomy and relevant policies

LeasePlan updated its Risk Charter and policy landscape to include ESG risks and related terminology.

Within our Risk Charter, ESG risks are considered as a cause of the risk categories in which they may materialise. Several other material risk policies were updated to better reflect LeasePlan's C&E risk management practices, including the Audit Charter, several risk category-specific policies and the stress testing framework.

LeasePlan also updated its Risk Taxonomy based on the ORX Reference Taxonomy, in which it has included ESG risks as causes of risk events that could materialise within existing risk categories.

This effort results in a common approach and shared understanding on C&E risks, which significantly improves the management of these risks within LeasePlan.

c. Integrating C&E into the Risk Appetite Statement exercise on a yearly basis

In determining its Risk Appetite, LeasePlan's Executive Committee considers the results of the quantitative materiality assessment of the relevant C&E risk transmission channels.

In line with the annual cycle in setting the Risk Appetite Statements, in 2023 LeasePlan will explicitly consider the C&E risk transmission channels and their quantitative impacts on LeasePlan's risk categories in order to formulate the C&E risk-related Risk Appetite limits and thresholds.

d. Continuously improving the understanding and management of C&E-related risks

LeasePlan recognises that it is crucial to continue to enhance its current efforts regarding C&E risk management. Key steps here include refining the incorporation of C&E risk in the Risk Appetite setting process, refining C&E risk in the Risk Taxonomy, further aligning materiality criteria with LeasePlan's existing risk scales and challenging the risk indicators monitored by the CEC.

In addition, LeasePlan is incorporating C&E risk drivers in the economic ICAAP and ILAAP processes. The stress testing models set up in 2022 feed into the normative ICAAP. In 2023, LeasePlan also aims to assess the economic perspective and liquidity stress testing in line with the requirements of the ECB.

4. Metrics and targets

LeasePlan uses a variety of financial and non-financial metrics to track progress on ESG topics. Several of these metrics – such as Scope 1, 2 and 3 carbon emissions and EV activations – are relevant in the assessment of the C&E risks LeasePlan faces. For more information on LeasePlan's Scope 1, 2 and 3 carbon emissions, please see *page 43*.

LeasePlan also monitors and has set limits on exposure concentrations in countries and industries, which are validated by the GRC. These analyses and limits help LeasePlan in managing and mitigating C&E risks, some of which may become material to LeasePlan due to increases in exposure concentrations.

For several of the metrics shown on *page 41*, LeasePlan has also set targets, such as its science-based targets on carbon emission trajectories and ambition to reach net zero tailpipe emissions by 2030.

2 Contribute to societal wellbeing

Our approach to helping create a more equal and inclusive society.

LeasePlan's 'Driving to Zero' ESG strategy aims to contribute to societal wellbeing and help create a more equal society. In 2022, we continued to make progress delivering on the following priority areas:

- Building an ethical, inclusive and progressive culture
- Offering a safe, healthy and engaging work environment
- Helping our people reach their potential
- Having a positive impact in the communities in which we operate
- Promoting sustainability and customer engagement
- Improving driver safety in customer and employee fleets
- Driving supply chain sustainability

Building an ethical, inclusive and progressive culture

LeasePlan aims to build an ethical, inclusive and progressive culture in which people are able to thrive, feel safe and be themselves, regardless of their race, nationality, gender, age, disability or sexual orientation. Beyond simply being the right thing to do, we believe that DE&I also makes good business sense and that more diverse teams outperform homogeneous ones through their inclusion of minority views and broader analysis of alternatives.

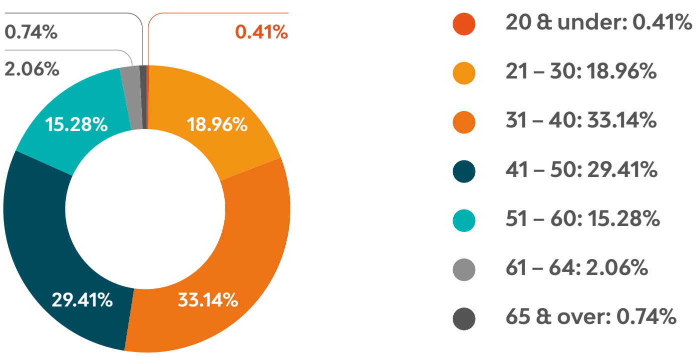
Our Global DE&I policy serves as the basis for everything we do in this area and outlines our zero-tolerance approach to discrimination, as well our vision to increase the representation of diverse talent in senior management. The policy is supported by our ambition to recruit diverse talent and to equalise opportunities and benefits for all, as well as our strategy to roll out local and global training and programming that will help embed DE&I across our organisation.

In 2022, we made strong progress in making DE&I 'business as usual' in all systems and processes at LeasePlan, including delivering on policy expansion, monitoring and assessing existing practices; and mobilising and supporting diverse stakeholder groups to ensure we capture full representation of our employee base across our entire business.

Our employees

FTEs by age

On 31 December 2022, LeasePlan had 7,563 employees[77] across 28 countries, of which 52.52% identified as male and 47.48% as female.



77. *Total headcount of regular and fixed-term employees as at 31 December 2022*

CASE STUDY: 9

Driving DE&I at LeasePlan

2022 marked the first full year of LeasePlan's new Diversity, Equity and Inclusion (DE&I) strategy.

"We're starting by putting the right foundations in place with a strong focus on policy," explains Tessa Peetoom, DE&I Director. "We've already made big strides forwards in our four key DE&I focus areas."

Gender: In Q1 2022, LeasePlan initiated its first full analysis of equal pay on a global level. Twenty-two LeasePlan entities contributed to the calculations across Europe.

"We found that men and women performing similar roles with similar titles are paid on average within 3.1% of each other," says Tessa. "It was great to see that the adjusted gap falls within the draft European Union's Directive of Pay Transparency's threshold of 5%. When gaps could not be properly explained we crafted locally defined corrective actions," notes Tessa.

LeasePlan also aims to have at least 35% gender diversity in the top three management levels by 2025, reaching 31% women in 2022.

LGBTQI+: In Mexico, the People & Performance team created its own DE&I trainings, including a series called 'From the other side of the closet', which explored LGBTQI+ inclusion and grew allies' understanding of the LGBTQI+ experience. Human Resources Director Veronica Pantoja was also recognised in an ExpansiónMX list of business leaders, thanks to her work in promoting equality via, for example, her support for LeasePlan's new, more inclusive definition of 'family'.

Disability: Meanwhile, LeasePlan offices in France, Spain, Turkey and the Netherlands all now have specific programmes in place to support employees with disabilities. As well as providing adapted tools and systems, extra coaching and additional budget funds, the programmes require recruiters to take steps to ensure no discrimination takes place against candidates with disabilities. LeasePlan also marked the International Day of People with Disabilities in December by hosting an online session with a disability expert to grow knowledge and awareness.

Cultural diversity: In addition to receiving LeasePlan's new global guidance on inclusive language, LeasePlanners in Spain were supported by a local programme focusing on inclusivity in speaking and writing in the workplace. "Discriminatory language can have deep roots," says Noelia Román González, Senior Human Resources Technician, "but together we must strive to find a better, more inclusive way of expressing ourselves. Only then can we ensure all our colleagues feel safe and welcome."

"We've already made big strides forwards in our four key DE&I focus areas."

Tessa Peetoom
DE&I Director

Culture, values and ethics

LeasePlan recognises that the trust and confidence of our external and internal stakeholders is crucial to our success. Only by conducting our business according to our ethical standards can we win and retain that trust and succeed in our mission.

Our employees apply high standards in their personal conduct and in their day-to-day business decisions. Our values and ethics are defined in the LeasePlan Code of Conduct (www.leaseplan.com), which also explains the way in which we deal with each other, customers, suppliers, society at large, government authorities, regulators, investors and business partners. The core values we uphold are Commitment, Expertise, Passion and Respect, which we apply to everything we do. We work to ensure our values and ethics are embedded in our behaviour, processes and actions. To ensure that these are sufficiently embedded in our culture, LeasePlan operates an annual integrity programme (also see Compliance, *page 82*). Additionally, conversations on values and ethics are part of the global approach to our teams' performance management and global KPI-setting.

Human rights

LeasePlan recognises that human rights are fundamental and universal. We respect human rights, in the workplace and in our supply chain, as described in the United Nations' Universal Declaration of Human Rights and the principles of the International Labour Organization. We avoid being complicit in human rights abuses of any kind, and condemn the use of forced labour, compulsory labour and child labour. Respect for human rights is also a key feature of both the LeasePlan Code of Conduct and our Sustainable Procurement Charter (www.leaseplan.com/corporate).

In addition, a whistleblower mechanism is in place for all employees, and all entities have a local trusted counsellor in addition to their local People & Performance officers, who they can reach out to if they experience a human rights abuse of any kind or inappropriate behaviour. In 2022, we updated our whistleblowing mechanism, which is now available to all employees and suppliers around the world. The implementation of this tool, in line with recent EU legislation, not only makes the reporting process simpler but also allows for better safeguarding of whistleblowers' anonymity.

To underpin our human rights practices across the organisation, People & Performance rolled out a mandatory training on inappropriate behaviour in 2022, which included the optimisation of the reporting process. Half of all entities had translated and/or implemented the new training as of December 2022, with the remaining applying a more in-depth local context to the new whistleblowing policy.

Diversity, Equity and Inclusion

In 2022, implementation of LeasePlan's Diversity, Equity and Inclusion (DE&I) strategy gained momentum, building on the priorities, initiatives and targets set in 2021 under our four main pillars.

Updated DE&I priorities

Priority area	Initiative	Target	Current status
Gender	• Gender diversity • Gender diversity in top three layers (Limited assurance provided by KPMG/ Talent to the Top) • Gender pay gap ratio baseline (adjusted)	• 50/50 • 35% per 2025 • Close the gap	• 48/52 (F/M) • 31% • 3.1%
LGBTQI+	• Equal partner pension, parental leave and bereavement benefits	• Equalise benefits	• 24 entities have equalised benefits
Disability	• Established partnerships to support hire of people with disabilities • Accessibility by design programme (all LP tools/systems)	• N.A. • N.A.	• Local partners selected • Phase 1 finished
Cultural diversity & inclusion	• Knowledge Breaks • Employee communities	• 5 per year • Create Employee Resource Group (ERG)	• 8 Knowledge Breaks in 2022 • 1 ERG created

Gender

LeasePlan is committed to achieving an equal gender balance among its workforce, as well as enhancing the proportion of diverse talent in its top three management layers. We will achieve this by continuing to ensure diverse talents are equally represented in the recruitment process, by offering inclusive recruitment training and unconscious bias awareness sessions, and by using our talent, performance and succession policies as levers for systematic change.

To realise our gender diversity ambitions, we pay particular attention to representation. In 2022, we reached 31% female representation in our top three management layers, making progress towards our new target of 35% by 2025. We have also set a new target of reaching 30% women in the Supervisory Board, Managing Board and Executive Committee, supported by a Global Suitability Policy that underpins how we will structurally ensure gender representation is achieved in the selection of members across all three management bodies.

More than 50 talented employees (of which 98% were women) were enrolled in LeasePlan's Talent to the Top mentoring programme in 2022, which links them to an external mentor to support their development as leaders. Talent to the Top is a non-profit initiative that provides advice and training on gender and cultural diversity, including cross-company mentoring. As a signatory to its Charter, LeasePlan is part of a network of companies committed to actively working to reach DE&I targets and to annually reporting results that are monitored and published by Talent to the Top.

LeasePlan's gender pay ratio initiative

In January 2022, LeasePlan conducted a baseline analysis of its gender pay ratio, a first step in our journey to consistently assess, monitor and advance equal pay on a global level. Guided by experts at Willis Towers Watson, we first conducted our analyses across 22 markets in Europe, looking at unadjusted gaps (talent distribution) and adjusted pay gaps within market by job and family level, the latter being a key indicator of equal pay.

We found that, on average, men and women in comparable roles are paid within 3.1% of each other. All our markets' pay gaps are within the current draft EU regulatory threshold of 5% or below when controlling for job level and family. Talent distribution is the primary driver of the unadjusted gaps in some markets, where in some cases more men are represented on leadership teams.

Going forward, to positively influence the overall gender pay ratio, we are integrating gender diversity targets into remuneration KPIs, have committed to regularly reviewing equal pay data across all markets, and have implemented knowledge-sharing practices across the organisation to ensure equal pay best practices are disseminated globally. Importantly, we continue to review and monitor our gender-neutral remuneration framework and promotion and succession planning policies to address issues of representation and talent distribution.

Furthermore, our comprehensive DE&I strategy, underpinned by training on recruitment and unconscious bias, will also bring us closer to our ambitions of achieving greater gender balance across our workforce. We have already been able to see the results: in 2022, there was an increase to 39% of women in the succession layer to the top management level roles. By increasing female talent distribution across LeasePlan, we can ensure a strong pipeline of talent that will directly support the realisation of our gender balance targets.

LGBTQI+

As part of our commitment to creating a non-discriminatory and progressive work environment, we are committed to providing equal benefits to all our LGBTQI+ colleagues and their families. In this context, LeasePlan believes that the term 'family' can be interpreted in diverse ways and should reflect the diverse backgrounds and needs of our people.

In Q4 of 2021, we extended our definition of 'family' to ensure all our employees could be covered by related family policies and benefits. In 2022 we implemented this definition successfully in 95% of LeasePlan entities. This means leave and family care benefits will be fully applicable to all LGBTQI+ employees, including their partners and their children (whether from natural birth, adoption or surrogacy). Going forward, we will look to equalise family bereavement payments and leave entitlements for all LeasePlanners, and to equalise pension benefits for all partners of LeasePlan employees.

In 2022, we further systematised the use of personal gender pronouns across the workforce using a new feature in the Workday platform. This feature makes it possible for employees to communicate their personal gender pronouns alongside their other profile characteristics, making it clear to the LeasePlan community how they like to be referred to in everyday interactions. Colleagues now also have the option to add details on the pronunciation of their name, to further support inclusivity.

Disability

In 2022, LeasePlan investigated joining the International Labour Association (ILO) for disabled employees, with the goal of improving access to employee databases, knowledge sharing and best practices for recruitment of people with disabilities. Application for membership will continue in 2023.

At the end of 2022, three local entities had established partnerships aimed at improving the recruitment of people with disabilities as well as talent at a distance from the labour market. For example, at LeasePlan Corporation in Amsterdam, a partnership with the Green Business Council has enabled bi-monthly sessions between LeasePlan People & Performance and job candidates at a distance from the labour market. The goal of these sessions is to support CV and personal brand building, and directing candidates to jobs, vacancies and companies that may be a match for their skills.

In November 2022, we invited Rolf Schrama, Inclusion Advisor for a leading Dutch financial services institution, to address our DE&I community. Rolf spoke to employees ahead of the International Day of Persons with Disabilities (3 December), sharing his story of living with a rare form of dwarfism, becoming a Paralympic sailor and ultimately using his education and experience with disability to help develop inclusion strategies. Rolf shared practical insights with LeasePlan DE&I practitioners on how to harness the potential of people with disabilities across the talent lifecycle, as well as how to build more inclusive communities.

To make sure our digital journey is inclusive of everyone, including people with disabilities, we advanced our 'accessibility by design' programme, which is embedded in LeasePlan's NGDA platform. We started with Phase I in 2021, which included having a UN Global Compact-linked company perform an accessibility audit on our company websites. The audit identified several areas for improvement and pointed to several strategic recommendations across our tools, systems and procedures that will enable us to fine-tune specific design elements. For example, people with hearing challenges can use our app and online driver safety trainings, and potential employees with low visibility can find our recruitment website. The team is currently in Phase II of the programme, the discovery phase for all accessibility, training and capability needs. After engaging with our client community on best practices, we have decided to follow the Microsoft 101 standard for accessibility.

Cultural diversity & inclusion

In 2022, led by LeasePlan's DE&I Director, employees created LeasePlan's first global Employee Resource Group (ERG) focused on Culture and Ethnicity. The goal is to connect the dots between the many cultures and ethnicities represented at LeasePlan and celebrate our differences. The ERG will provide a safe space where LeasePlanners can share their experiences, build a network and brainstorm recommendations on DE&I matters.

Furthermore, LeasePlan's holiday swap policy – allowing all employees to swap three national holidays of their choice with holidays that fit their personal beliefs and cultural background – came into full effect in 2022. In total, 49 holidays were swapped.

We also used our 2022 Global Engagement and Integrity Survey (GEIS) to identify and investigate issues raised by colleagues in relation to cultural diversity and inclusion. This in turn informed a new, global 'Inappropriate Behaviour' training and supported the momentum behind our Unconscious Bias training.

In addition, we leveraged the findings of the GEIS to ensure that everyone feels welcomed, valued and safe once they're fully onboarded at LeasePlan. In this context, in 2022, we focused on communication between employees, launching new inclusive communications guidelines across all 28 entities, and distilling key principles for communicating within meetings, emails and presentations so that employees have a clear vision of what is expected from them.

Lastly, to ensure we attract a diverse range of talent and better support our business, we launched new guidelines for hiring managers across LeasePlan. This included tips on where and how to advertise vacancies, as well as how to avoid unconscious bias during the CV review and interview process, with a global template for inclusive interview questions.

Offering a safe, healthy and engaging work environment

All LeasePlan offices and showrooms have procedures in place to ensure occupational welfare, health and safety. Our priorities are to maintain and promote our employees' health and working capacity; ensure our working environment and work are conducive to safety and health; and develop a company culture that supports health and safety and creates a positive social atmosphere that enhances productivity and the smooth running of our business.

In addition to the launch of our 'Inappropriate Behaviour' training, entities strengthened mental well-being resources through additional activities. For example, our LeasePlan Corporate and Digital offices partnered with the organisation OpenUp, a mental health provider that provides individual and group therapy sessions at no cost to employees. Our LeasePlan UK office continued to offer Mental Health First Aid, which focuses on identifying mental wellbeing issues among employees. Globally, we celebrated World Mental Health Day on 10 October with a Knowledge Break from former Olympian Derek Redmond to discuss his own mental health challenges and tools for overcoming them.

Employee engagement

LeasePlan is committed to creating an engaging work environment, where everyone feels valued and committed to our mission and vision. Our Global Engagement and Integrity Survey (GEIS) allows us to gather feedback from employees on what is going well and what needs to improve.

In 2022, our GEIS had a response rate of 85.3%, our overall engagement plus score was 83.8%, with gains across a number of themes including organisational capability, personal growth and purpose and strategy. A key highlight was employees feeling that they do impactful work that contributes to the overall objectives of the organisation (93.8%, versus 92.3% in 2020). With DE&I increasingly embedded throughout the organisation, we also found that employees are overwhelmingly supportive (89.3%) of efforts to develop and drive initiatives that foster a more diverse, inclusive and equitable work environment.

Helping our people reach their potential

As LeasePlan transitions towards a fully digital business model, the role of many of our employees continues to evolve. Our overarching aim is therefore to help employees develop the skills and competencies they need to thrive in today's highly competitive and disruptive digital environment. Highlights of how we helped our people reach their potential in 2022 include:

- 91,247 learning hours were registered in our Learning Management System, with employees experiencing 8,894 hours of LinkedIn Learning content on topics including wellbeing, customer service and data management. Employees also registered 3,398 hours of learning in the professional development platform Coursera, which was launched across LeasePlan's global workforce in 2022
- A Customer First learning initiative led all employees through LeasePlan's customer experience journey, bringing to life real-world examples of how to delight customers and deliver a 'wow' experience
- A 'cloud' enablement programme, the Technical Skills Academy, headed up by LeasePlan Digital, supported employees in becoming familiar with Amazon Web Services-platform. From Jam Sessions to a network of Cloud Champions, the hands-on programme yielded almost 400 hours of instructor-led training and 331 participants joining a virtual classroom training course
- A Summer Learning Camp was introduced, enabling employees to drive learning and professional development via Coursera and LinkedIn Learning. In just one month, participants completed 1,430 courses and spent an average of 3 hours and 10 minutes on learning
- The continuation of our Knowledge Breaks series, including sessions hosted by global thought leaders speaking about key trends in today's labour market, including inclusive thinking, mental resilience, mindsets for innovation and performance culture and stress management

After a successful pilot period, the Talent Marketplace went live on a global scale in February 2022. By leveraging machine learning, this platform offers employees suggestions of real-time internal opportunities, from short-term projects or 'gigs' to jobs. Between February and December, 15 gigs were created in eight different business units, 40 employees participated, and more than 100 employees expressed interest in participating.

Performance management

LeasePlan's global performance management process enables managers to have ongoing and meaningful discussions with employees about their progress and development. Since 2021, LeasePlan incorporates the MBO methodology into employees' individual goal-setting processes. In 2022, we went a step further, enabling the MBO methodology in our human resources information system. As a result, employees can now digitally link their individual bonus goals to the organisation's overarching objectives, supporting our NextGen ambitions.

Having a positive impact in the communities in which we operate

LeasePlan and its employees across 28 countries support a wide range of local social and community initiatives through volunteering, donations and fundraising, often in partnership with established charities.

Our new global Community Volunteering Standard, rolled out in 2022, provides employees with the opportunity to take part in four annual paid volunteer hours (a total of more than 32,000 hours across the company) on activities that support the communities in which we operate. In 2022, employees volunteered on a variety of different projects, including restoring local community playgrounds and lending a hand at shelters that provide social support for new immigrants. LeasePlan entities also hosted dedicated Volunteer Days to enable teams to set aside time to volunteer together. At LeasePlan Corporate and LeasePlan Digital, nearly 100 employees gathered in November 2022 as part of a partnership with Adam Helpt, an Amsterdam-based corporate volunteer partner.

As of December 2022, employees dedicated approximately 1,165 hours to volunteering. The leading causes to which they dedicated their time were the environment, support for people with disabilities, education, elderly care and support for people in living in shelters and other community volunteering activities.

Promoting sustainability and customer engagement

Customer and driver satisfaction is a key priority for LeasePlan and its employees, and we are focused on standardising and enhancing the quality of service delivered by our country entities.

Monitoring satisfaction

We measure and monitor customer satisfaction through our Voice of the Customer programme, which incorporates our Net Promoter Score (NPS) programme, for which we have short and long-term targets, service KPIs monitoring, and feedback collection via social media. We also analyse satisfaction trends for a more in-depth view of our performance and conduct regular surveys with our customers to understand how services are being delivered on an individual basis. This analysis includes specific recommendations that form the basis for global and local customer service action plans. In 2022, LeasePlan continued to see a positive trend in customer feedback (Customer NPS of 31) and saw significant NPS improvements across all customer segments.

We also launched a new Quality Policy and Quality Standard in 2022. Both documents reflect our drive to continuously improve quality, for the benefit of all our customers and drivers. The Quality Policy summarises the essential elements of our commitment to excellence in Car-as-a-Service, and is intended to foster a quality culture, facilitating sufficient control over the level of service provided to our customers in every LeasePlan entity.

Improving driver safety in customer and employee fleets

The United Nations 2030 Agenda for Sustainable Development has set a target to halve the global number of deaths and injuries from road traffic accidents (SDG 3, target 3.6). A further target (SDG 11, target 11.2) includes a focus on safe, sustainable transport systems to improve road safety, with special attention on children and vulnerable groups.

Our aim is to contribute to these goals by helping reduce road traffic injuries among our clients' and our own fleets to zero by 2030. We track our progress towards this goal by monitoring the portion of vehicle accidents that result in bodily injuries to our drivers or to third parties. In 2022, the Bodily Injury Rate (BIR) was 0.98% in LeasePlan's funded fleet based on data from 19 European countries.

In 2022, we continued supporting our clients and drivers with our SafePlan Zero initiative, both on a local and international level. SafePlan Zero helps to promote safer driving behaviours among fleet managers and drivers by implementing practical tools to create awareness, give guidance and provide access to reporting data, helping to facilitate significant safety improvements.

SafePlan Zero focus areas

1. Safe fleet	2. Safe driver	3. Safe vehicle
• Safety reporting	• Driver safety newsletter	• Vehicle safety options
• Safe fleet policy	• Safe driving videos	• Smart technology overview
• Safe recommendations guide	• Driver risk self-assessment	• Vehicle safety glossary
• Safety consultancy	• Driver training	

Driving supply chain sustainability

With an annual spend of roughly EUR 10 billion, a significant part of both our environmental footprint and our impact on communities is the result of activities in our supply chain. We therefore expect our suppliers to reflect the values and behaviours that apply within our organisation by conducting their own business activities in an ethical and sustainable manner. In this context, in 2022 the LeasePlan Sustainable Procurement Charter, based on the principles of the United Nations Global Compact, replaced the Supplier Code of Conduct (SCoC). It establishes the minimum standards we expect our suppliers to adhere to when working with, for or on behalf of LeasePlan. Our Sustainable Procurement Charter is focused on the following specific areas:

- Climate change
- Human rights
- Circular economy
- Diversity, Equity and Inclusion (DE&I)
- Business ethics, privacy and data security
- Environmental sustainability

All supplier contracts for spend above EUR 50,000 must comply with the Sustainable Procurement Charter, in explicit recognition of the minimum environmental, social and governance (ESG) standards we expect our suppliers to adhere to. Contracts between LeasePlan Global Procurement and global OEMs, aftersales and indirect ICT/service suppliers are actively monitored. At the same time, local entities are required to report the percentage of suppliers that have accepted the SCoC or, for new contracts, the Sustainable Procurement Charter. In 2022, 100% of LeasePlan's global suppliers' spend was deemed to be in compliance with LeasePlan's ScoC. LeasePlan will report the percentage of suppliers that have adhered to the Sustainable Procurement Charter in 2023.

LeasePlan's supplier monitoring currently comprises the Lexis Nexis Supplier Due Diligence sanctions screening process and reports by Dun and Bradstreet, which we implement via the NextGen Procurement digital platform. This includes a supplier onboarding module in which new suppliers are required to share details of their ESG programmes and whether or not they are a minority-owned company. The module will gradually enable us to assess our supplier coverage with regard to ESG. Furthermore, the EcoVadis platform was embedded into our operations in 2022 to measure suppliers' ESG performance and risks. Going forward, we will expand our reporting on sustainable procurement, including on the number of suppliers screened on ESG criteria.

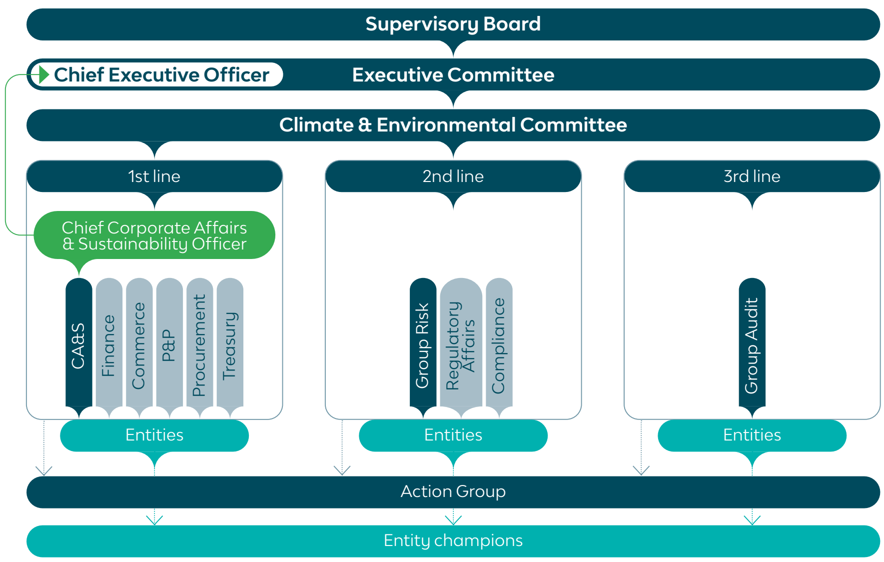
3 Be responsible

Only by conducting business according to our high ethical standards can we win and retain the trust of our stakeholders.

Sustainability governance

Under the responsibility of the Chief Corporate Affairs & Sustainability Officer, LeasePlan's Sustainability function reports to the Chief Executive Officer, the Managing Board and the wider Executive Committee on a regular basis to ensure full accountability at senior level. The Supervisory Board is also updated biannually.

Sustainability governance structure – three lines of defence



First line

As the first line of defence, the Sustainability function is responsible for:

- Outlining the ESG strategy and coordinating actions towards achieving set targets
- Identifying, assessing and monitoring any ESG risks and opportunities
- Defining actions to address potential ESG risks and opportunities
- Providing information and oversight on our exposure to ESG risks and opportunities
- Allocating roles, responsibilities and objectives to relevant teams across LeasePlan to ensure that ESG risks as well as opportunities are properly addressed
- Ensuring LeasePlanners have the knowledge, skills and experience to properly assess ESG-related risks and opportunities, as well as embed relevant ESG actions into their roles and responsibilities

In addition, given the rapidly changing expectations of our stakeholders with regard to ESG and climate issues, LeasePlan also operates a dedicated ESG Action Group. The ESG Action Group is managed by the Sustainability team and brings together senior representatives of corporate functions such as Commerce, Finance, People & Performance, Procurement, Risk and Treasury.

The ESG Action Group convenes regularly to ensure relevant topics are effectively addressed. The Sustainability team also leads a global network of Sustainability Champions, who drive the execution of the sustainability strategy at a country level.

Second line

As the second line of defence, Group Risk is responsible for reviewing, monitoring, challenging and advising the first line on climate-related and environmental risks, as well as other ESG-related risk assessments and stress testing potential impacts.

The first and second line also come together in the Climate and Environment Committee (see below for further information).

Third line

As the third line of defence, Group Audit audits, where relevant, if there has been sufficient consideration of ESG-related risks and opportunities, and whether appropriate processes to manage those risks and opportunities are in place.

Climate and Environment Committee (CEC)

LeasePlan's Climate and Environment Committee is a delegated sub-committee of the Group Risk Committee, designed to oversee LeasePlan's management of climate and environment-related risks. The establishment of the CEC ensures that climate issues are fully integrated into our strategy, governance, Risk Management Framework and disclosures. The CEC is responsible for providing input to the Supervisory Board, Managing Board, Executive Committee and Group Risk Committee, and facilitating the discussion on C&E risk management between the first and second line, as described in the C&E Risk Governance Framework. Please see the section 'Understand and manage climate risks' on *page 49* for more details.

Executive remuneration

To ensure our approach to remuneration is aligned with societal expectations, we have recently taken steps to tie the performance assessment of LeasePlan's Managing Board to our most important ESG topics, including:

- Defining science-based reduction targets for LeasePlan's greenhouse gas emissions (●[78])
- Incorporating climate and environmental risk into our strategy, governance, Risk Management Framework and disclosures (●●[79])
- Enhancing our reporting of key non-financial performance indicators, ensuring our stakeholders are informed of how we are progressing with our ESG strategy and the impact we have on society (●[80])

Please see the Remuneration report on *page 102* for more details.

Sustainable finance

Supporting the transition to zero emission mobility is our successful Green Bond programme, with a total of EUR 3 billion raised to date to finance the purchase of BEVs. This highlights the strength of LeasePlan's Green Finance Framework and the ongoing support of institutional investors for LeasePlan's sustainability strategy.

In addition, LeasePlan Insurance has adopted an ESG-aligned Investment Risk Policy.

Sustainability reporting

The LeasePlan Annual Report 2022 integrates our financial and non-financial disclosures, as we continue to work towards full implementation of the guidelines of the International Integrated Reporting Council's framework for Integrated Reporting. It also includes, for the fourth year running, limited assurance of the following non-financial KPIs by our external auditors (*see page 227*), which are defined below:

% EV activations: This number represents the percentage of new passenger vehicle activations in the LeasePlan fleet during the year that were either Battery Electric Vehicles or Plug-in Hybrid Vehicles in EUR22 countries.

Average CO_2 g/km per vehicle: The carbon intensity figure represents the average carbon emission in grams per kilometre per vehicle as measured during the homologation test of a vehicle (i.e. using the WLTP). We take the overall average of all vehicles in our (funded) fleet to represent the carbon intensity of an average vehicle in the LeasePlan fleet.

Tonnes of CO_2 tailpipe emissions from funded fleet: These are the total tank-to-wheel CO_2 emissions from LeasePlan's funded fleet under management in the calendar year. Funded fleet refers to all vehicles that are either under a financial lease or operational lease contract.

Female employees at top three layers: This is the percentage of females in the top three management layers at LeasePlan. These are the Managing Board, the layer that reports directly to the Managing Board (Senior Vice Presidents, Managing Directors and Directors), and their direct reports.

78. ● = included in CEO remuneration targets
79. ● = included in CRO remuneration targets
80. ● = included in CFO remuneration targets

Employee Engagement Plus Score: This is a composite of questions from our Global Engagement and Integrity Survey, measuring employee engagement. Questions solicit employee feedback on topics such as their level of work enjoyment, support of company objectives and the desire to continue to work for the organisation.

LeasePlan also discloses an EU Taxonomy report (see *page 34*) and has begun to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see *page 49*).

The United Nations Sustainable Development Goals

The '2030 Agenda for Sustainable Development', which was adopted by all United Nations (UN) Member States in 2015, is a plan of action for people, planet and prosperity. The Agenda also established 17 Sustainable Development Goals (SDGs), which represent bold and transformative steps that are urgently needed to shift the world onto a sustainable and resilient path. As a responsible, collaborative and innovative company with more than 8,500 employees and a global footprint, we recognise that we have an important part to play in the achievement of the SDGs.

Through our commitment to taking a leadership role in the transition to zero emission mobility we directly contribute to SDG 11 'Sustainable Cities and Communities', specifically Target 11.2: 'Provide access to affordable, accessible and sustainable transport'.

Given the integrated nature of the SDGs, we have identified that alongside SDG 11 we can also further the achievement of the following SDGs:

In 2021 LeasePlan solidified its commitment to the achievement of the SDGs by becoming a signatory of the UN Global Compact. By supporting the Ten Principles of the UN Global Compact on human rights, labour, environment and anti-corruption, and making the principles part of the strategy, culture and day-to-day operations of our company, LeasePlan aims to advance broader societal goals and the SDGs. An example of practical integration of the Ten Principles of the UN Global Compact into our actions is the creation of our Sustainable Procurement Charter, which replaces our Suppliers' Code of Conduct. The charter is fully aligned with the principles of the Compact and obliges all our suppliers to comply as well. Furthermore, the Principles are embedded into LeasePlan's 'Conflict of Interest, Anti-Bribery & Corruption and Outside Positions Policy', and Whistleblowing Policy.

COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

A breakdown of how the SDGs link to the various elements of our 'Driving to Zero' ESG strategy is shown on *page 41*.

Risk Management and Compliance

Risk Management and Compliance principles

We are committed to ensuring our activities are executed within a defined Risk Management Framework that has been approved by the Managing and Supervisory Boards.

LeasePlan operates a retail bank in the Netherlands and Germany to partly fund its Car-as-a-Service activities. As of 1 January 2021, LeasePlan has been classified as a significant institution[81] and therefore falls under the direct supervisory control of the European Central Bank (ECB).

Our risk profile differs from most other financial institutions due to the nature of our business. The largest part of our portfolio consists of operationally leased vehicles, in which we bear the market price risk of used vehicles (asset risk/residual value risk).

LeasePlan considers controlled and balanced risk taking – accommodated by a strong risk management organisation and risk governance, supported by a clear tone at the top – as key elements executing its strategy. Risk management and risk control are closely linked to LeasePlan's strategic aims. The Managing Board is responsible for ensuring that risk management is an integral part of the decision-making process.

Risk management approach

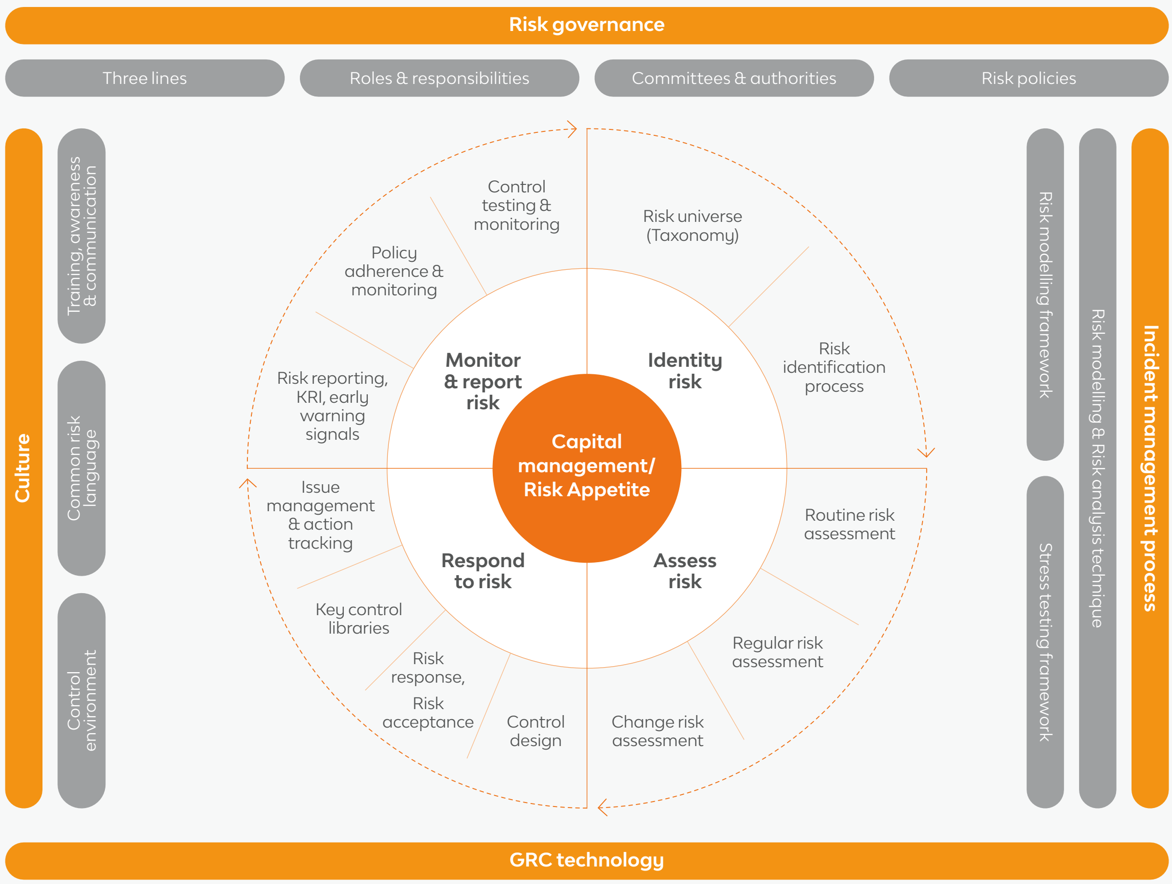
Second line control functions (Risk & Compliance) are responsible for effective risk oversight, which is vital to our functioning as a business. Controlled and balanced risk taking, accommodated by a strong, independent risk and compliance organisation at corporate and country level, supported by clear direction from our senior management, are key elements in driving our strategy.

Risk Management and Compliance are represented by the Chief Risk Officer (CRO) at Managing Board level. In addition, together with the CRO, the Chief Risk Manager (CRM), who heads the Risk Management function at central level, is a member of the Executive Committee and the Chief Compliance Officer (CCO) has a standing invitation. CRO, CRM and CCO can independently escalate any issues or topics to the Chairman of the Risk Committee of the Supervisory Board. Risk and Compliance also have onsite representation in the different entities.

LeasePlan has defined a Risk Management Framework to ensure proper identification, assessment and response to (including monitoring and disclosure of) risks to enable the organisation to make informed decisions. The Risk Charter addresses the risk governance and the risk management process, through the various components, as described in the risk management cycle on *page 76*.

81. LeasePlan is classified as significant in accordance with Article 6(4) of Regulation (EU) No 1024/2013 and Article 50(2) of Regulation (EU) No 468/2014 (ECB/2014/17), as the total value of its assets, determined in accordance with Articles 50 to 55 of Regulation (EU) No 468/2014 (ECB/2014/17), exceeds EUR 30 billion

The LeasePlan Risk Management Cycle



Three lines model

Risk governance is an essential part of the overall corporate governance of LeasePlan, which is outlined in the Risk Charter, Compliance Charter and Corporate Governance Framework. The Charters define the general principles, the mandate and key responsibilities of the Risk and Compliance functions and describe the Risk Management Framework.

LeasePlan's governance is based on the three lines model in line with the EBA Guidelines and directives on Internal Governance[82]. This model distinguishes between functions that run the business and manage related risks (first line); functions that define and own the Risk Management Framework, independently challenge and advise on risk management practices, and perform oversight for all risk types on all business units and on other internal functions (second line); and functions that provide independent audit assurance and advice on the adequacy and effectiveness of governance and risk management (third line).

The following overview outlines the composition and responsibilities of the key parties within LeasePlan involved in the three lines:

First line

Local and corporate management, the local business and operational team, together with support functions are considered the first line. First line functions have ownership of the risks they initiate in performing their activities. They are responsible for taking risks, the day-to-day management of the organisation, the effectiveness of the business processes, reliable reporting, implementation and embedding of risk management practices and adherence to Group policies and standards.

82. Directive 2013/36/EU and the Final EBA guidelines on Internal Governance (GL 2021-05)

Second line

The second line is represented by the Risk Management function and the Compliance function. These functions are represented centrally and locally and report to the Chief Risk Officer (CRO) at Managing Board (MB) level to ensure independence from the relevant business originating unit. The second line has full access to all departments, functions and entities across the LeasePlan Group.

Third line

Group Audit is an independent, objective assurance function designed to add value and improve LeasePlan's operations by bringing a systematic and risk-based approach to evaluate the effectiveness of risk management, control, and governance processes.

EBA Guidelines on Internal Governance stipulate that the Internal Audit function is responsible for the independent review of the first and second line. It also reports its findings to the Managing Board and provides quarterly updates to the Supervisory Board Audit Committee.

Risk Appetite

LeasePlan is committed to ensure regulatory compliance and maintaining a risk profile within the set Risk Appetite by challenging and assisting the business and promoting risk awareness at all levels within the Group. The Risk Management function is responsible for defining the Risk Appetite Framework and facilitating the Group's Risk Appetite setting process. The Risk Appetite Statement (RAS) itself represents the overall risk LeasePlan is willing to take to achieve its strategic objectives, defined by quantitative and/or qualitative metrics for the key risk categories. The Risk Appetite is set at Group level and cascaded to the entities. The Managing Board, through the Group Risk Committee, monitors, reviews and challenges the actual performance against the RAS and discusses potential corrective measures on (at least) a quarterly basis.

Risk management

Risk management structure

The **Enterprise Risk Management (ERM)** team oversees risk strategies and defines processes to manage enterprise risk, which includes the establishment of an appropriate risk governance, Risk Taxonomy, setting of Group Risk Appetite, risk measurements and reporting. ERM is responsible for defining the Risk Management Framework and Risk Appetite framework for supporting decision-making and capital allocation.

The **Financial Risk Management (FRM)** team oversees the four financial risk domains: Credit Risk, Asset Risk, Motor Insurance Risk and Treasury Risk. FRM also determines the required amount of risk capital, monitors adequacy of available capital and supports the first line in steering on capital requirements. In this capacity, FRM acts as the owner of the SREP process. The on-site risk management teams at LeasePlan Treasury and LeasePlan Bank report directly to the head of FRM.

The **Non-Financial Risk Management (NFRM)** team oversees the operational, information, HR, legal, reliable reporting and change failure risk domains. NFRM also maintains the internal control framework and performs assessments of their effectiveness. The on-site risk management teams at LeasePlan Digital, LeasePlan Information Services, LeasePlan Shared Services and LeasePlan Global Procurement report directly to the head of NFRM.

The **Risk Modelling & Analytics (RM&A)** team is responsible for the following stages of the risk model lifecycle: model development and testing, model implementation, model change management and model monitoring. RM&A is also responsible for the assigned tasks allocated to the Credit Risk Control Unit (CRCU) as defined in Article 190(2) of Capital Requirements Regulation.

The **Model Validation** function is responsible for validating models of all risk types that exist within LeasePlan Group, as well as models within LeasePlan entities. The purpose of model validation is to ensure that the models are valid for their intended purpose. Model Validation is performed in accordance with requirements prescribed by the regulator for regulatory models and in accordance with the Model Governance Policy of LeasePlan for non-regulatory models. Model Validation is a fully independent function within LeasePlan and reports directly to the CRO.

On-Site Risk Management: Each entity and business unit within the LeasePlan organisation has a dedicated on-site risk management team with risk management expertise relevant for the particular entity or business unit. These teams oversee all relevant risks at their local entity or business unit and fulfil the primary risk control function. These teams report into the Group Risk Management function.

Principal risks

In 2022, LeasePlan implemented an updated Risk Taxonomy to increase the coverage on risk types and events based on the ORX standard[83]. In this context, LeasePlan's risk universe lists the relevant risks for its internal and external business environment, broadly categorised under Financial risks, Non-financial risks and Strategic risks. All identified risk categories in the taxonomy have been assessed to determine which of the risks are considered key for LeasePlan. These are the following:

Risk categories	Financial risks	Non-Financial risks	Strategic risk
Risk types	• Asset risk • Credit risk • Treasury risk • Motor insurance risk	• Operational risk • Information risk • Compliance risk • Legal risk • HR risk • Regulatory reporting risk • Change failure risk	N/A

Financial risks

Asset risk is the risk of potential losses related to decline of residual value (RV) and higher than estimated costs on repair, maintenance and tyre replacement (RMT) services.

Credit risk is the risk of financial losses due to default on a debt that may arise from a borrower failing to make required payments. More generally, credit risk is the risk that the value of a debt obligation will decline due to a change in the borrower's ability to make payments, whether that change is an actual default or a change in the probability of default.

Treasury risk is the risk exposure stemming from liquidity, interest or currency positions and movements, which may impede LeasePlan's funding and liquidity positions, as well as profitability in pursuit of LeasePlan's business objectives.

Motor insurance risk is the risk of financial losses, relating to car insurance, risk amount levels for the reinsurance-coverage risk and insurance pricing risk.

Non-financial risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human behaviour, and systems or from external events.

Business continuity risk is a part of operational risk and is concerned with identifying potential impacts that threaten the continuity of its primary business. The Risk Management function provides a framework for building resilience and the capability for an effective response to business disruptions that safeguards LeasePlan's objectives and operations. Climate and environmental (C&E) related risks have also been included in the assessment of operational risks and business continuity management. Such assessment focuses predominantly on the physical risk aspect of C&E risk.

Information risk is the risk of breaching confidentiality, integrity or availability of information, due to human error or misbehaviour, inadequate processes or failing technology, leading to losses, financial misstatements, reputational damage or regulatory sanctions. The first line is responsible for the implementation of policies and standards, while the local second line supports secure implementation, facilitates risk management processes, and challenges first line decisions. The Non-Financial Risk Management team maintains the Information Risk Management Framework, which includes governance, policies, standards, processes, tooling, culture, Risk Taxonomy, and the (information) risk and controls matrix.

As the attack footprint and threat landscape of LeasePlan is continuously evolving, so is LeasePlan's security posture and its capabilities to identify, protect, detect, respond and recover. These capabilities are constantly optimised to reduce the likelihood and impact of key risks, such as ransomware attacks, unauthorised disclosures of data and invoice fraud/business e-mail compromise (BEC). During the reporting year there have been no significant or material information risk incidents.

83. Operational Risk data eXchange Association (ORX) is operational risk management association in the financial services sector

Compliance risk is the risk which exposes the organisation to the failure of abiding with laws, rules, regulations, standards and internal policies applicable to the organisation's business activities. For further information please refer to subsection Compliance on *page 82*.

Legal risk is the risk of financial or reputational loss resulting from any legal issue arising in the conduct of LeasePlan's business.

HR risk is the risk of inadequate levels of staffing, inadequate staff relations, compensation, working conditions and legislation.

Reliable reporting risk is the risk of failing to meet statutory reporting and tax payments/filing requirements. It also includes the risk that the organisation's financial or management reports contain material misstatements and/or are not meaningful for LeasePlan's management and stakeholders.

Change failure risk is the risk of not achieving strategic goals and objectives (including growth plans, scalability, efficiency) and/or disruption of business processes as result of improper risk assessments, as well as improperly defined or communicated requirements for, or management and embedding of, change portfolios, programmes or single projects.

Strategic risk

Strategic risk is the risk of ineffective or improper implementation of business strategies, including integrations. It includes the potential financial loss due to the failure of growth initiatives or failure to respond appropriately to changes in the business environment.

ESG-related risks

In addition to the above-mentioned risk categories, LeasePlan recognises environmental, social and governance (ESG) risks. These risks are, however, not considered separately, but as an integral part of the domains where they may materialise. These are primarily the asset, credit, motor insurance and strategic risk domains. ESG risks are included as a risk cause of these risk categories within LeasePlan's Risk Taxonomy.

LeasePlan is taking further steps to identify, assess and manage the impact of the ESG risk drivers on our business and performance. In 2022, LeasePlan set up a dedicated Climate & Environment Committee, a sub-committee of the Group Risk Committee (GRC), to oversee LeasePlan's exposure to and management of climate and environment-related risks. Establishing such a committee with clear terms of reference ensures that C&E risks are fully integrated into risk management, strategy and disclosures. The CEC is responsible for providing input to the Supervisory Board, Managing Board, Executive Committee and Group Risk Committee, and facilitating the discussion on C&E risk management between the first and second line, as described in the C&E Risk Governance Framework.

In addition, in 2022, LeasePlan expanded its scenario analysis and stress testing capabilities towards climate-related risks and performed a focused climate-related Risk & Control Self-Assessment. The transmission channels used were consistent across the exercises. Some of these transmission channels are also applied by the Climate Stress Test model, feeding directly into the ICAAP process. The content, approach and outcomes of these assessments are further detailed on *page 52* of the Sustainability section.

As LeasePlan progresses on embedding ESG risk drivers into the Risk Management Framework in the course of 2023, first and second line risk stakeholders aim to further integrate ESG-related risk drivers in our risk indicators and day-to-day risk management activities. This progress will also mean that the insights on risk drivers related to ESG will become fully embedded into the strategic elements of LeasePlan's risk management activities, such as the Risk Appetite exercise and statements.

A general reference is made to the Financial risk management section of the financial statements on *page 141*, and the LeasePlan Group's Pillar 3 report for additional disclosures on Credit Risk, Asset Risk, Operational Risk and ESG Risk.

Risk uncertainties

Based on the main risk areas, we have summarised material risks and uncertainties that are relevant to the expectations of LeasePlan's business continuity for the period of 12 months after the publication of this report.

- LeasePlan may suffer from adverse developments in the automotive industry, including regarding diesel vehicles, and the other markets directly related to its business. Technology changes could have a material adverse effect on the business, financial condition and results of its operations
- LeasePlan relies on internal and external information and technological systems to manage its operations and is exposed to risk of loss resulting from breaches of security, system or control failures, inadequate or failed processes, human error, business interruptions and external events. In addition, LeasePlan is subject to the risk of cybercrime by employees or third parties
- LeasePlan is subject to bank regulation, and changes in regulations or to its regulatory capital requirements can influence its business, financial condition, results of operations and liquidity position
- LeasePlan is currently working on a high number of projects and initiatives related to regulatory enhancement programmes which could affect our business, financial condition and results of operations
- For regulatory governance and compliance we need to attract and retain sufficiently qualified personnel to manage increasing regulatory requirements. Not having the required number of resources could have an impact on the deliverables
- For model development, the maturity of the model landscape and risk oversight quality of (historic) data is important. Data quality issues could have an adverse impact on the reliability of the output delivered by the models
- The intended merger with ALD will increase pressure on employee retention and our ability to attract new employees This ability may also be affected by the increased oversight of compensation policies to which the banking sector is subject, including CRD V. In addition, legislation in the Netherlands (where LeasePlan is headquartered) includes a cap on the variable component of compensation compared to its fixed component applicable to all personnel, which could reduce the Group's ability to attract and retain employees, in particular against competitors who are not regulated. This not only applies to staff of the Group located in Netherlands, but also outside the Netherlands and out of the E.E.A.
- LeasePlan is exposed to emerging risks of uncertain external events or developments that could pose a significant threat to our business. These risks could include political tensions that might have negative impacts on our operations in certain countries
- From the end of March to mid December 2022, the Dutch National Bank on behalf of the European Central Bank has conducted an inspection of LeasePlan's IRB models and reviewed related processes and systems. A report has been shared by the regulator, which revealed multiple (severe) findings. No formal decision or remedies based on the inspection have been issued or mandated by the authorities yet, but a decision could lead temporarily to higher capital requirements (potentially by temporarily applying the Standardized Approach, which could lead to a substantially higher RWA for LeasePlan until remedial work has been completed)

LeasePlan believes these are the main risk events which could hinder the company in achieving its strategic and financial business objectives. This may, however, not include all the risks that may ultimately affect LeasePlan. For further details about our asset risk, treasury risk, credit risk, operational risk and motor insurance risk, please refer to the Financial risk management section of the financial statements on *page 141*.

To manage or mitigate risk in each of these risk categories and related subcategories, LeasePlan has implemented a variety of key processes. For asset risk, mitigants include interim adjustments and end-of-contract fees, as well as multi-channel and cross-border sales. For operational risk, internal and external fraud controls are examples of mitigants. For liquidity risk, we have matched funding, our diversified funding platform and healthy liquidity buffers as mitigants. For credit risk, mitigants include risk modelling, debtor management including early warning mechanisms, and default monitoring.

Highlights for 2022

- In 2022, a first line Risk Management & Compliance office was established under the leadership of the SVP First Line Risk Management & Compliance. This function is responsible for coordinating and strengthening risk and compliance activities in the first line. This includes the business-as-usual activities as part of the Internal Control Framework, such as risk assessments, control testing and follow-up on action plans. The function also orchestrates the implementation of major changes with respect to risk and compliance in the organisation, such as the implementation of the latest anti-money laundering and counter-terrorist financing policy and the EBA Guidelines for credit risk assessment. In this context, LeasePlan has updated its policy framework and started to redesign its Internal Control Framework – with a focus on asset, credit, IT and compliance risk – defining the segregation between first and second line roles and responsibilities. More controls will be designed for the remaining risk categories in a phased manner
- Enhancements to internal controls have been made via the Internal Control Framework (ICF) project, including the enhanced control testing to establish control effectiveness and the roll out of GRC tooling for integrated risk analysis across data sources, including risk assessment, control testing and loss registration
- For climate and environmental-related risk, a detailed materiality exercise was performed and stress testing capabilities were enhanced. Climate and environmental-related Risk & Control Self Assessments were also completed by the entities
- During the SREP 2022 process (submitted in April 2022), LeasePlan closed a significant number of findings from the regulator related to the ICAAP and ILAAP. In the SREP 2023 process (submitted in March 2023), LeasePlan has closed the remaining findings from the regulator
- Since becoming a significant institution under the Single Supervisory Mechanism (SSM) in 2021, LeasePlan performed an extensive self-assessment on its maturity level of compliance with applicable banking regulations. To address the enhanced expectations, LeasePlan set up the ECB Migration Programme for which significant resources have been mobilised. By the end of 2022, LeasePlan has made considerable progress in meeting these enhanced expectations. The vast majority of the identified improvement areas have been successfully remediated and LeasePlan entities and functions have adopted, or are in the process of adopting, these enhanced expectations into their day-to-day activities. The remaining efforts were prioritised and will continue in 2023
- LeasePlan has maintained a solid platform of diversified funding sources that include financing through debt capital markets, securitisation, bank credit lines and its online savings bank in the Netherlands and Germany. With this as an underlying strategy, LeasePlan ensured the availability of funding to meet its ongoing liquidity needs and match its asset profile. LeasePlan's liquidity position complied with CRR/CRD IV requirements in accordance with CRR article 431.3 and EBA Regulatory disclosure guidelines

For a comprehensive overview of our Risk Management Framework, including details on key risks inherent to our business activities, please refer to the Financial risk management section of the financial statements and the (unaudited) Pillar III Disclosures, which are available at www.leaseplan.com/corporate.

Compliance

LeasePlan operates in a complex regulatory environment in which trust and confidence are crucial

Only by conducting our business based on high ethical standards and in compliance with applicable laws, directives and regulations can we win and retain trust and succeed in our mission. This means being able to manage LeasePlan's compliance risks; namely, those that expose the organisation to the failure of abiding by laws, rules, regulations, standards and internal policies applicable to LeasePlan's business activities.

Mission, vision & strategy

Compliance mission

To ensure LeasePlan is a trusted and ethical business partner as it works to become the world's first fully digital Car-as-a-Service business.

Compliance vision

To serve as a trusted business partner and support the full integration and digitalisation of compliance in daily business activities and strategic planning. Specific objectives include:

- **Employees:** all employees behave with integrity
- **Products and services:** promises to clients, employees and other stakeholders are met
- **Counterparties:** LeasePlan engages in business with integrity
- **Organisation:** compliance by design is embedded in LeasePlan's (digital) business processes, applications and products and services

To set measurable quality goals for each project, product and process and embed compliance by design.

To use automation and artificial intelligence to proactively detect, prevent and monitor compliance-related risks and threats.

Compliance strategy

To achieve its mission and vision by acting according to the following principles:

1. **Ethical:** acting within the law and taking into account the seven elements of a culture of integrity as identified by the Dutch Central Bank (De Nederlandsche Bank)
2. **By design:** helping LeasePlan ensure compliance is a default starting point in the development of new products, services, projects etc
3. **Controlled:** helping LeasePlan ensure compliance with its obligations in relation to the processing of personal data and to data subjects' rights with respect to their personal data
4. **Safe:** helping LeasePlan secure and protect data and information as best as it can
5. **Innovative:** helping LeasePlan anticipate how to improve its services in alignment with becoming a fully digital Car-as-a-Service business
6. **Proactive:** serving as a knowledge broker by sharing information and guidance upfront with the business and its entities and by aiming to detect potential risks at an early stage
7. **Transparent:** helping LeasePlan explain why it made certain choices in its daily business activities and what they mean for its stakeholders
8. **Demonstrable:** ensuring all of the above is documented and auditable

Compliance Risk Appetite

The compliance Risk Appetite is the level of compliance-related risks that LeasePlan is willing to take in pursuit of its business objectives. The Compliance Risk appetite is reviewed and approved on a yearly basis, as part of the overall Group Risk Appetite Statement (RAS) process. Taking the Compliance Risk Appetite into account, LeasePlan aims to prevent:

- direct or indirect financial losses as a result of compliance-related breaches
- sanctions imposed by relevant authorities due to non-compliance with applicable legislation, regulation or industry best practice
- negative media coverage in local, national and/or international media due to non-compliance
- any conduct that is illegal or non-compliant with applicable legislation, regulation and/or internal policies and standards in pursuit of LeasePlan's business objectives.

Compliance structure and setup

Governance

LeasePlan's Managing Board owns the Group's compliance risks and is ultimately responsible for any business, group or strategic activity and/or decision that entails compliance risks. Every year, it submits LeasePlan's Risk Appetite in relation to compliance risks, among others, to the Supervisory Board for approval.

The Compliance function is represented on the Managing Board by the Chief Risk Officer (CRO). The CRO appoints the Chief Compliance Officer (CCO), who reports to the CRO and has direct access to the Group Risk Committee (GRC) and the Supervisory Board. The CCO is supported by the Group Compliance Office and the Group Privacy Office. In addition, the CCO reports periodically to the GRC and ensures accurate and timely reporting to the Managing Board with regard to compliance risks and their management.

There is also a Compliance function at local or regional level (per LeasePlan entity), with a permanent and dedicated Local Compliance Officer (LCO) and Local Privacy Officer (LPO). The LCO and LPO report to the CCO and to the local management.

Five pillars for compliance

A new structure was put in place in 2022, allowing for more focus and specialisation within different teams. The new structure has five pillars, each centred around either a Compliance domain or an Operational capability (as shown in the diagram below). During the year, LeasePlan made significant efforts to build capabilities within these pillars and provide appropriate resources.

<table>
<tr><th>Financial crime compliance</th><th>Privacy</th><th>Conduct, culture & other compliance</th><th>Change, communication & training</th><th>Oversight & reporting</th></tr>
<tr><td colspan="3">Compliance domains</td><td colspan="2">Operational capabilities</td></tr>
<tr><td colspan="3">These three key Compliance domains specialise in content-driven topics.</td><td colspan="2">These pillars work with (and report to) the three key Compliance domains, bringing the operational efficiency of change management.</td></tr>
</table>

Highlights for 2022

General ongoing professionalisation of Compliance function processes and training, also in light of the ECB transition

To facilitate the further growth of LeasePlan's Compliance function and meet increasing regulatory expectations, LeasePlan introduced a new Compliance Roadmap in January 2022.

Under this Roadmap, we have broadened the scope of relevant risks covered by Compliance to achieve closer alignment with the common definition of compliance risk in the banking industry. LeasePlan also enhanced its Risk Taxonomy, which in turn led to a review and enhancement of the related compliance policy framework.

A key component of the new Compliance Roadmap is investment in people. Training curricula for all Compliance employees were developed in 2022, with the majority of staff enrolled in certification programmes (e.g. ICA or CIPP) to further develop their expertise. In addition, we carried out a resource assessment for local entities to ensure that all necessary Compliance activities could be performed. Compliance capacity within LeasePlan's local entities grew steadily through additional hiring.

The new Roadmap also led us to increase our focus on our reporting capabilities. In Q3 2022, Compliance began assessing data sources, reporting on metrics and improving the design of Compliance reports to make sure that our reporting is accurate, high quality and readily available to our stakeholders.

Being an ECB regulated entity, the importance of Compliance as a function within LeasePlan has also grown. Over the course of 2022, the stature of Compliance has been further strengthened with the Chief Compliance Officer now being increasingly present at Managing Board/ExCo meetings and Compliance continuing to be involved in material decision-making.

Financial crime compliance: counterparty due diligence

Financial crime compliance was a major focus area for LeasePlan's Compliance function in 2022. The department contains a dedicated team that ensures LeasePlan has a framework in place to adequately address the risks the business faces in terms of money laundering, terrorist financing and sanctions and embargoes. In 2022, LeasePlan strengthened its first line to ensure this is done efficiently and effectively and is automated and standardised as far as possible. In turn, this ensures LeasePlan's actions in relation to financial crime compliance are auditable.

The following topics are part of this journey:

- Updated policy and standard
- Increased level of automation
- Increased quality of client files
- Standardised first line processes
- Increased efficiency of the alert handling process
- Improved reporting

Financial crime compliance: sanctions

In late February 2022, the growing impact of sanctions regulations became even more apparent. Ever since, Group Compliance has continuously monitored the relevant developments and maintained effective and efficient sanctions screening controls by making sure that necessary counterparty information is continuously screened against up-to-date applicable sanctions lists. Sanctions screening controls also aim to prevent funds or other economic resources from becoming available to sanctioned counterparties.

Privacy: SCHREMS II

Group Compliance provided training, guidance and templates – based on the European Data Protection Board's 'Recommendations on supplementary measures' – to identify, analyse, implement and monitor data transfers involving personal data to ensure adherence to the data protection requirements for handling personal data outside the European Economic Area.

Conduct, culture & other compliance: insurance compliance

In 2022, Group Compliance took steps to strengthen its oversight of compliance risks in the delivery of insurance and damage solutions, including by creating a dedicated function responsible for ensuring compliance in insurance distribution. Local reviews on insurance distribution were also conducted (under central supervision) on a project basis, which both enhanced central oversight and improved local processes. LeasePlan also developed and held trainings and improved controls and reporting, reflecting the fact that insurance compliance will become increasingly integrated into the business-as-usual activities of the Compliance function.

Legal and Regulatory Affairs

The trust and confidence placed in LeasePlan by its stakeholders is crucial to its success. Only by conducting our business according to applicable laws and regulations and meeting our legal obligations can LeasePlan maintain that trust and confidence and succeed in its mission.

The global Legal function advises and supports LeasePlan on legal matters and manages legal risks across the Group. It is organised with a central Group Legal department and local legal functions in countries where LeasePlan is represented.

A year of change

The Legal function acts as a trusted advisor to the business, supporting LeasePlan in realising its strategy. Major projects in 2022 included the divestment of our operations in the United States and the preparations for the proposed merger between LeasePlan and ALD. During the year, Legal also continued to deploy its strategy for a future-proof legal organisation and made progress in the following areas:

Contract Lifecycle Management (CLM): We further implemented an end-to-end CLM tool to support contract management as part of LeasePlan's Next Generation Digital Architecture (NGDA).

OneLegal: We strengthened connections and collaboration among the legal community during our global conference

OneContract: We drafted standard terms and conditions for the lease of vehicles using the principles of legal design

Litigation: We introduced a litigation tracker tool to continuously monitor and report on (threatening) litigations

In addition, to ensure LeasePlan’s legal risks are sufficiently addressed and key stakeholders are adequately supported, Legal focuses on the following areas:

Corporate Secretariat

The Corporate Secretariat supports the Managing Board, the Executive Committee and the Supervisory Board and its various committees with meeting logistics, new member onboarding, lifelong learning programmes and recurring (self-)evaluations. In addition, the Corporate Secretariat advises, guides and steers these bodies on matters related to corporate law and corporate governance and promotes compliance with all corporate governance rules and internal rules and procedures. Also in 2022, various enhancements were made to LeasePlan's corporate governance, including its self-assessment framework.

Commercial Contracting

The Commercial Contracting team is responsible for all legal matters related to commercial contracting in the broadest sense, by providing day-to-day advice and support to the commercial teams in their dealings with international clients, global strategic partnerships and strategic projects. In addition, the Legal team serves as a centre of excellence for the local legal teams on topics related to commercial contracting, strategic partnerships and strategic projects. Again in 2022, the team helped to onboard many new (international) customers and (leasing) partners and to renew existing contracts.

Corporate

The Corporate team is responsible for corporate housekeeping and supports strategic projects. Its main achievements in 2022 include the divestment of our US operations and the negotiation of the planned merger between ALD and LeasePlan. Furthermore, the Corporate team is closely involved in the legal and structuring workstream of the Integration Management Office.

Competition

Legal's Competition centre of excellence provides day-to-day advice, trainings and reminders to support the business teams to ensure LeasePlan engages in fair competition and acts within the boundaries that competition laws set. Advice and support are provided on strategic projects, both from a legal and compliance perspective, as well as in the related risk analyses. In 2022, the focus was on relevant antitrust aspects of the anticipated LeasePlan and ALD merger. The Global Competition Lead is also involved in and provides input to various lobbying and consultation programmes, including in 2022 the review of the Vertical Block Exemption Regulation and the Motor Vehicles Block Exemption Regulation.

Employment

Legal's Employment centre of excellence partners with the People & Performance (P&P) and Compensation & Benefit (C&B) teams to execute LeasePlan's P&P strategy and C&B structure, providing employment law expertise to both teams. In addition, Legal's Employment function supports various corporate strategic projects where advice is needed on the employment impact, and advises and coordinates the engagement and handling of the various works councils within LeasePlan.

Digital & Indirect Procurement

Part of the Legal team is dedicated to supporting the LeasePlan Digital organisation on a wide variety of legal issues. This includes legal support for (IT) procurement and for LeasePlan's core Digital and IT programmes, such as the development and implementation of LeasePlan's NGDA.

Legal Finance

The Legal Finance team focuses on maintaining LeasePlan's funding and liquidity position by supporting Treasury, Strategic Finance and Structured Finance in their fundraising efforts across LeasePlan's main funding pillars. The Legal Finance team is actively involved in the structuring and execution of LeasePlan's secured and unsecured financing transactions by, for example, arranging, negotiating and reviewing loan, hedging and capital markets documentation, as well as managing and advising on any (re-)finance-related matters such as investment and divestment projects. This enables LeasePlan to continue to secure sufficient funds to grow the business.

Focus for 2023

In addition to business as usual, in 2023 Legal will focus on the preparation for closing of the proposed merger between LeasePlan and ALD including multiple integration, harmonisation, transformation and digitisation projects.

Regulatory Affairs

The central Group Regulatory Affairs function, reporting into the Chief Legal Officer, promotes Group compliance with applicable supervisory and regulatory requirements. Regulatory Affairs acts in a strategic and tactical manner, ensuring a coordinated approach within the context of supervisory and regulatory compliance both internally and externally.

Supporting LeasePlan in matters relating to banking supervision and related regulations, Regulatory Affairs has three key functions:

- Supervisory Office
  - acting as a single point of contact for regulatory interactions
  - monitoring the relationship with the various regulatory authorities
  - ensuring alignment and consistency between, and a central overview of, the various regulatory interactions
- Regulatory Watchtower
  - identifying new and/or updated applicable laws and regulations within the scope of Regulatory Affairs
  - ensuring that (potential) regulatory changes are assessed on their relevance to LeasePlan
  - ensuring and tracking progress in the implementation of new or changed regulatory requirements
- Policy Office
  - designing, reviewing and maintaining the rules for policy management and other internal documents
  - facilitating maintenance of the policy management lifecycle
  - monitoring developments in LeasePlan's policy index

These three functional areas are positioned as one team, acting in functional synergy as a focused and combined effort in (first line) supervisory and regulatory compliance. In 2022, in line with its roadmap, Regulatory Affairs further increased its maturity by strengthening its governance and structure.

Regulatory Affairs will continue its efforts to achieve higher efficiency, ensuring accuracy and timeliness in delivering supervisory and regulatory compliance. The function has identified the following priorities:

- Anticipation: ensuring the regulatory agenda is proactively planned for and acted upon
- Engagement: serving as a bridge between the organisation and the supervisory and regulatory agenda
- Business and strategic partner: providing leadership, best practices, support and facilitation across Regulatory Affairs subthemes
- Digital compass: transforming into a digitally enabled function that is optimised, transparent and user friendly

Governance & leadership

Executive Committee

Tex Gunning

Chief Executive Officer &
Chairman of the Managing Board

Tex Gunning (1950, Dutch national) was appointed Chief Executive Officer and Chairman of the Managing Board of LeasePlan in 2016. Previously, he served as CEO of TNT Express between 2013 and 2016, guiding its merger with FedEx to create a global network for express parcel deliveries. He also served as managing director of the Decorative Paints Division of AkzoNobel between 2008 and 2013, where he integrated AkzoNobel's decorative paints business with ICI. Between 2007 and 2008, Tex was CEO of Vedior, overseeing its acquisition by Randstad in 2008, which saw Randstad become the second largest recruitment company in the world. Tex also has 25 years of experience with Unilever, where his last role was business group president in Asia. Currently, Tex is Supervisory Board member of Vereniging Erasmus Trustfonds, Stichting Nexus Instituut, Stichting Het Wereld Natuur Fonds-Nederland and Stichting Grachtenfestival. Tex is an Economics graduate of Erasmus University Rotterdam.

Executive Committee *continued*

Toine van Doremalen

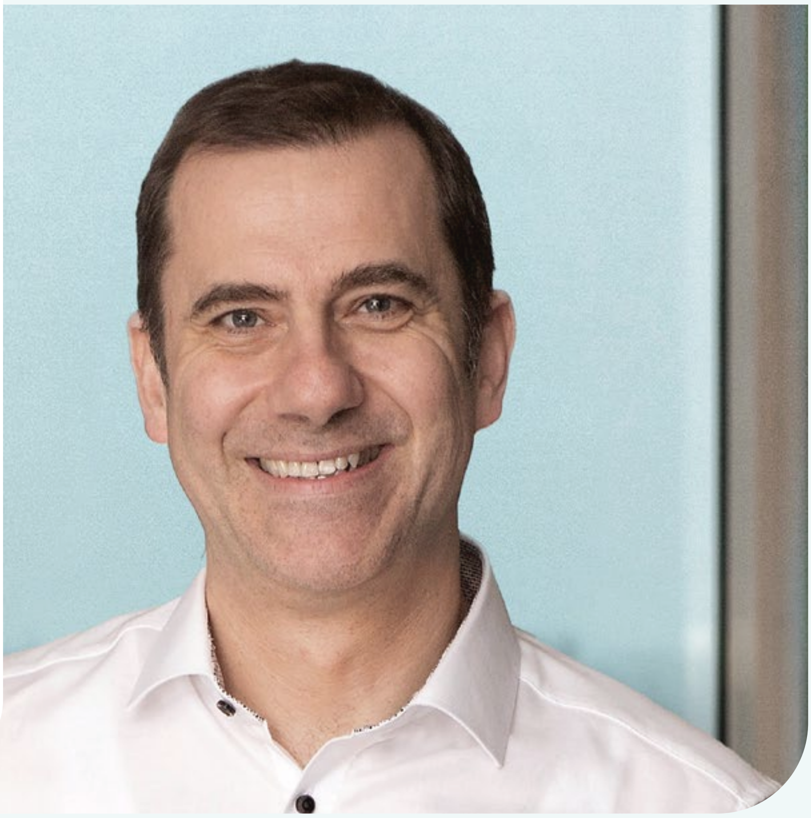
Chief Financial Officer & Member of the Managing Board

Toine van Doremalen (1973, Dutch national) was appointed Chief Financial Officer and Member of the Managing Board in 2020. As CFO, Toine has responsibility for all financial processes, control processes, strategic capital and funding planning, and the Treasury function. Prior to joining LeasePlan's Managing Board, he served as Senior Vice President (SVP) & CFO of LeasePlan's Car-as-a-Service business and as Corporate Controller. Before this appointment, Toine worked for 18 years at Philips, where he held a variety of senior finance roles across a range of industries, including as SVP & CFO of the Patient Care & Monitoring Solutions business, a large global healthcare business. He lived and worked in various locations in Europe, Asia and the USA. Toine holds an MSc. Degree in Business Economics from Tilburg University and an Executive MSc. Degree in Finance & Control from the University of Amsterdam.

Jochen Sutor

Chief Risk Officer & Member of the Managing Board

Jochen Sutor (1973, German national) is Chief Risk Officer and Member of the Managing Board, first appointed in 2019. As CRO, Jochen has responsibility for defining and executing LeasePlan's risk and compliance strategy, as well as the ECB Migration Project. Before joining LeasePlan, Jochen had a long career in banking and automotive finance, including as Global Head of Finance at Commerzbank in 2012. He also spent more than ten years working for Mercedes-Benz Bank, a subsidiary of the Daimler Mobility AG division, fulfilling various senior positions in finance and risk management. He brings a wealth of knowledge in regulation, experience in corporate restructuring exercises and credit workouts and has managed accounts in many complex global organisations, harmonising systems, increasing efficiencies and introducing single finance architectures across jurisdictions. Until November 2020, Jochen was Chairman of the Supervisory Board at Comdirect Bank AG. He holds an MSc. Degree in Finance from Texas A&M University and a doctorate in Mathematics from Ulm University.



Executive Committee *continued*

Berno Kleinherenbrink

Chief Commercial Officer

Berno Kleinherenbrink (1962, Dutch national) was appointed Chief Commercial Officer in 2016. Berno also serves as Cluster Director for Belgium, Germany, France, Luxembourg and the Netherlands, and as CCO is responsible for all account and sales management activities across LeasePlan globally. Prior to his current position, he was Managing Director of LeasePlan Netherlands. Berno is passionate about and has been leading the commercial aspect of LeasePlan's transition to zero emission EVs ever since the company joined EV100 as a founding member in 2017.

Ignacio Barbadillo Llorens

Chief Operations Officer

Ignacio Barbadillo (1966, Spanish national) was appointed Chief Operating Officer in 2017, where he oversees all RMT, Insurance, Remarketing and Service operations across LeasePlan. He also serves as Cluster Director for Southern and Northern Europe. Ignacio joined LeasePlan in 2002 as Finance Director of LeasePlan Spain and became Managing Director in 2006. His previous functions include a number of Finance, Operational and Commercial roles at Grupo Prisa, Procter & Gamble and Hilti Española. He holds a Bachelor's degree in Economics & Business Administration from Universidad Complutense de Madrid and studied at College of Wooster, later joining the Management Development Program at IESE Business School.

Tjahny Bercx

Chief People & Performance Officer

Tjahny Bercx (1963, Dutch national) was appointed Chief People & Performance Officer in 2016, and is currently spearheading the people aspects of our NextGen LeasePlan transformation. Tjahny also serves as Cluster Director for Austria, Brazil, Mexico, Switzerland and the United States. After a career as a naval officer, Tjahny made the switch to business and HR in 1997. He worked successively as Vice President HR at ING Barings and KLM, before joining LeasePlan in 2005 as SVP HR and Legal. Tjahny has also successfully led Brazil and Mexico as Managing Director. Tjahny holds a Master's degree in psychology, a Master's degree in organisation, work and occupational health, an MBA, and has written several books on various issues relating to people and performance. He is also a member of the Supervisory Boards of ProRail and Achmea. In 2021, he was named CHRO of the Year by CHRO.nl.

Philippos Zagorianakos

Chief Business Excellence Officer

Philippos Zagorianakos (1965, Greek national) was appointed Cluster Director responsible for Central East Europe in 2017 and Chief Business Excellence Officer in 2020, where he oversees activities related to continuous improvement, including the implementation of the MBO (Management by Objectives), knowledge management and LEAN programmes across LeasePlan. Prior to his current position, he was Managing Director of LeasePlan Greece, where he was responsible for launching and establishing the business in the region. Philippos brings a wealth of senior corporate experience to LeasePlan, including from his time at Adecco HR and Sony. He is a graduate of Computer Science from the University of London, Queen Mary College.

Executive Committee *continued*

Michel Alsemgeest

Chief Digital & Information Officer

Michel Alsemgeest (1972, Dutch national) was appointed LeasePlan's first Chief Digital & Information Officer in 2017. Next to ensuring full business continuity, he is currently leading the digital, data and IT aspects of our NextGen LeasePlan transformation, including the development of our foundational Next Generation Digital Architecture. Michel started his career in 1996 at KLM Information Technology, and later became Vice President Information Management reporting to the Board after the company's merger with Air France. In 2015, he became Digital Leader of TNT Express reporting to the CEO, before becoming the Digital Leader of FedEx International following their merger with TNT Express. He is a graduate of Nyenrode University and HEC Paris. He is a Supervisory Board member of Health-RI, helping create a national data platform to improve primary and secondary healthcare.

Liza Hoesbergen

Chief Legal Officer & Company Secretary

Liza Hoesbergen (1976, Dutch national) joined LeasePlan in 2009 after a career in private practice in Amsterdam and in New York (law firm NautaDutilh N.V.). In her current role as Chief Legal Officer & Company Secretary Liza acts as trusted advisor to the LeasePlan Executive Committee and Supervisory Board with respect to the full range of legal, regulatory and governance matters. In addition, Liza has a holistic (organisational-wide) view on legal and regulatory affairs. She oversees, leads and manages the Legal and Regulatory function both at holding and Group entity level and is responsible for the day-to-day management of legal and regulatory risks throughout the organisation. Liza brings decades of corporate legal experience to her current position, having held several senior legal positions both within LeasePlan and in private practice. Liza is a graduate of Utrecht University and holds a post graduate (cum laude) degree in Corporate Structures (Grotius). In addition, Liza participated in the General Counsel Executive Programme, a world leading programme tailored for Chief Legal Officers around the globe providing education and inspiration for C-suite innovation and leadership.

Matthijs den Breeje

Chief Risk Manager

Matthijs den Breeje (1972, Dutch national) was appointed Chief Risk Manager in 2018, where he has the operational responsibility for the LeasePlan Risk Management function. He is also heavily involved in the ECB migration project. Prior to joining LeasePlan, Matthijs worked in a number of senior corporate roles at financial institutions, establishing a strong track record in setting up and optimising risk management functions, including at Rabobank, ING, ABN AMRO and DLL Group. He is an Economics graduate of the University of Amsterdam.

Jeremy Rowe*

Chief Strategy Officer

Jeremy Rowe (1965, British national) was appointed Chief Strategy Officer in 2019, where he is responsible for the development and execution of our NextGen LeasePlan strategy, as well as advising the Executive Committee on a range of strategic matters, including M&A. Prior to joining LeasePlan, Jeremy served as Managing Director of South East and South Asia, Pacific and Middle East regions at AkzoNobel for over 10 years. Before joining AkzoNobel, Jeremy ran his own management consulting firm in Asia and Europe, advising companies in various industries, including consumer products, industrial products, recruitment and hospitality. Jeremy has also held several senior roles (including Partner) at Accenture. Jeremy is a London Business School MBA graduate, and also holds a BA in Physics from the University of Southampton.

** Member of the extended leadership team*

Supervisory Board

Jos Streppel

Chairman of the Supervisory Board

Jos Streppel is the chairman of the Supervisory Board. He has been a member of the Supervisory Board since March 2016 and was reappointed in March 2019 and December 2022. His previous positions include CFO of FGH Bank N.V. from 1986 to 1987 and CFO of AEGON N.V. from 1998 to 2009. He has also previously served as member of the management board of FGH Bank N.V. from 1987 to 1991 and as chairman of the management board of Bank Labouchere N.V. from 1991 to 1997. From 2003 to 2015, Mr. Streppel was a member and chairman (from 2010) of the supervisory board of Koninklijke KPN N.V. From 2003 to 2017, he was vice-chairman of the supervisory board of Van Lanschot N.V. In addition, Mr. Streppel has previously served as a member of the working committee of the International Accounting Standards Board from 2005 to 2009, member and chairman (from 2009) of the Monitoring Committee Corporate Governance Code from 2005 to 2013, chairman of the Economics and Finance Committee (Econfin Insurance Europe) from 2005 to 2009, chairman of the board of Duisenberg School of Finance from 2007 to 2018 and as a member of the state commission on insurance from 2014 to 2015. He also served as chairman of the advisory board of Koninklijk Actuarieel Genootschap (from 2013 to 2017), member of the advisory board of the supervisory board programme by Erasmus University Rotterdam (from 2010 to 2019), non-executive director of RSA Insurance Group plc (from 2011 to 2019), member of the supervisory board of Stichting Arq, a mental hospital, (from 2011 to 2019) and deputy councillor of the Enterprise Chamber of the Court of Amsterdam (from 2014 to 2019).

In addition, Mr. Streppel currently holds the following positions: member of the board of the Amsterdam Center for Corporate Finance (since 2007), member of the board of the Gieskes-Strijbis foundation (since 2013), chairman of Stichting Continuïteit Signify (since 2017), member of the advisory board of Van Lanschot Kempen N.V. (since 2018) and member of the board of Preferente Aandelen ASML (since 2021). Mr. Streppel holds a Master's degree in Economics from Tilburg University.

Supervisory Board *continued*

Steven van Schilfgaarde

Steven van Schilfgaarde is the vice-chairman of the Supervisory Board. He has been a member of the Supervisory Board since March 2016 and was reappointed in March 2018 and December 2022. Mr. van Schilfgaarde is also the Chairman of the Audit Committee, member of the Risk Committee, member of the Selection and Appointment Committee and member of the IT & Digitalization Committee. He began his career in 1990 within the finance function at KPN N.V. and held various roles at KPN affiliates until 2014. He served as senior executive vice president of KPN Corporate Market B.V. from 2011 to 2013 and as senior executive vice president IT Solutions of KPN in 2013. In 2012 and from 2013 to 2014, Mr. van Schilfgaarde was CFO and member of the board of management ad interim of Koninklijke KPN N.V. He also previously served as member of the board and member of the Investment Committee of KPN Company Pension Fund from 2007 to 2015. He was CFO (2007 to 2011) and CEO (2011 to 2013) of Getronics N.V. From 2016 to 2017, Mr. van Schilfgaarde was CFO of Coöperatie Royal FloraHolland U.A., of which he has been CEO as of 2018. He has also been treasurer/secretary of the Van Schilfgaarde Stichting (a family foundation) since 2004 and director of two private companies, Rietland Investments B.V. since 2013 and Rietland Advisory B.V. since 2015. Previously, Mr. van Schilfgaarde was a member of the supervisory board at Digitenne Holding B.V. from 2005 to 2008, at SNT Deutschland AG from 2006 to 2015, at Eplus Mobilfunk GmbH & Co. KG from 2013 to 2014, and at KPMG N.V. from 2015 to 2016. Mr. Van Schilfgaarde holds a Master's degree in Economics from Erasmus University Rotterdam. He has also completed the Postgraduate degree of Controller at the Vrije Universiteit Amsterdam and the New Board Program at Nyenrode Business University.

Paul Johannes Scholten

Paul Scholten has been a member of the Supervisory Board since June 2019 and was reappointed in December 2022. Mr. Scholten has been Chief Executive Officer of Buckaroo B.V. since 2018 and is member of the Supervisory Board of ABN AMRO Hypotheken Groep since 2019. He began his career at ABN AMRO in 1984, working in the Netherlands, France, Bahrain, Japan and Taiwan in various managing board roles, before joining KBL Bank in the Netherlands and Luxembourg in 2014 as Chief Operational Officer and member of the executive committee. From 2001 to 2009, Mr. Scholten was a member of the supervisory board of IFN B.V. In addition, Mr. Scholten previously served as a member of the supervisory board of MoneYou (from 2009 to 2013), Stater B.V. (from 2009 to 2013), Bethmann Bank (from 2005 to 2013) and Insinger Gilissen (from 2016 to 2018). He also served as chairman of the supervisory board of Buckaroo B.V. from 2015 to 2018. He holds an LLM degree from the University of Utrecht and an MBA degree from Erasmus University Rotterdam.

Supervisory Board *continued*

Herta von Stiegel

Herta von Stiegel has been a member of the Supervisory Board since March 2015 and was reappointed in March 2018, June 2021 and December 2022. She currently serves on the board of the London Metal Exchange, where she chairs the Technology & Operational Resilience Committee and serves on the Audit and Risk, Nominations and Enforcement Committees, as chairperson of Britam Asset Managers (K) Limited and as chairperson of Ariya Capital Group Limited. She also serves on the Sustainable Investing Advisory Board of Brown Advisory. During her 17 years in the banking sector before 2000, she held senior positions at Citibank, Rabobank and JP Morgan. From 2000 to 2005, she was a director and then managing director at AIG Financial Products Corporation. From 2013 to 2017, Ms. von Stiegel served as chairperson of CHAPS Clearing Company Ltd. and led the sale of the company to the Bank of England. In addition, she was a non-executive director of Camco Clean Energy plc (renamed Invinity Energy Systems plc) from 2006 to 2012. In 2006, Ms. von Stiegel founded the Prince's Trust Women's Leadership Group, where she served as chairperson from 2006 to 2010. Until 2021, she was serving as chairperson of the Women Corporate Directors Kenya. Until 2021, she was an adjunct professor and academic director at Strathmore Business School. Ms. von Stiegel holds a J.D. degree from Western Michigan Thomas M. Cooley Law School, an LLM degree in Taxation from New York University School of Law and a Doctorate of Humane Letters (honoris causa) from Andrews University. She also completed the Executive Program in Corporate Finance at the London Business School. She is a member of the state bar associations of Michigan and New York.

Stefan Orlowski

Following his departure in 2018, Stefan Orlowski re-joined LeasePlan as a supervisory director in 2022. He has over 20 years' experience in global and local brand and portfolio management, as well as commercial fields such as sales and distribution. After beginning his career as an attorney in Australia with Arthur Robinson & Hedderwicks, Mr. Orlowski has spent the majority of his career with various affiliates of Heineken N.V., including as regional president of the Americas in New York City and a member of the executive committee until 2015. In 2015, he moved to a European role with Heineken. From 2015 to 2020, he served as a member of the Supervisory Board of Żywiec S.A. (a Polish brewer controlled by Heineken) where he was previously employed as a vice-president, as a member of the Supervisory Board of Paulaner Brauerei Gruppe GmbH & Co. KgaA, and as a Board member of the AIM – European Brands Association. He also served as Supervisory Board member of Heineken Nederland from May 2015 until June 2020. Previous board positions include roles as Vice-Chairman of Compañía Cervecería Costa Rica, Director of Compañía Cervecería de Colombia, and Chairman of the Marketplace Committee for Business in the Community, a charity under the patronage of the Prince of Wales.

Eric-Jan Boudewijn Vink

Eric-Jan Boudewijn Vink has been a member of the Supervisory Board since March 2016 and was reappointed in June 2019 and December 2022. In 2019, he was also appointed as a managing director B of LP Group B.V. He is a Director and Head of Investments of Knop Investments B.V., a small family office. Until April 2022, he has been head of private equity at PGGM N.V. since 2011. Following his departure, he still acts as senior advisor to PGGM N.V. He is a member of the private equity committee of Stichting Pensioenfonds TNO since 2016, and a treasurer of the Jeanne Oosting Foundation. His previous positions include investment director and partner at Gilde Buy Out Partners B.V. (where he worked from 1997 until 2011), senior investment manager of private equity at PGGM N.V. from 2011 to 2012 and director of LP Group from 2016 to 2018. Mr. Vink holds a Master's degree in Business Administration from Erasmus University Rotterdam.

Chairman of the Supervisory Board statement

In 2022, LeasePlan delivered the best results in its history, all while preparing for the historic opportunity ahead.

LeasePlan's excellent performance in 2022 was the result of significant growth in all segments of our Car-as-a-Service business, as well as the continued strong used-car market. Despite the ongoing semiconductor shortage, we managed to deliver on demand throughout the year, while continuing to lead the transition to Electric Vehicles.

Having delivered such excellent results, it is easy to forget that almost all of LeasePlan's workforce was still working from home at the beginning of the year, when much of the world was still in lockdown. While life for most of us slowly returned to 'normal' in 2022, our employees faced a major readjustment as they returned to daily office life. LeasePlanners responded to this challenge with resilience and determination, and it was great to see employees reconnecting and strengthening the bonds of the LeasePlan culture throughout the year.

Of course the biggest news of 2022 came on 6 January, when the intended merger with ALD Automotive was announced. This historic step will see us create a leading global player in mobility and will enable our combined business to capture the growth opportunity ahead. Preparing for a merger of this size is a major undertaking, and LeasePlanners went the extra mile, working closely with their counterparts at ALD so that we can swiftly execute our proposed combination post-closing.

In addition to merger preparations, our people continued to provide customers with the excellent service they have come to expect from LeasePlan. Beyond this, LeasePlan made strong progress on its digital transformation, passing a number of key milestones, including the successful launch of its Next Generation Digital Architecture in the Netherlands. This was an important step towards creating a fully digital business model, positioning us well to efficiently capture the growth ahead as the ongoing shift to car subscriptions and Electric Vehicles accelerates.

In 2022, LeasePlan retained a sharp focus on completing its migration to European Central Bank (ECB) supervision, building on the strong start we made in 2021. While good progress was made in meeting all supervisory expectations, we also continue to engage closely with the ECB on the appropriate regulatory framework for operational leasing companies, which have a very different risk profile than other financial institutions due to their ownership of the leased vehicles. Improving regulation in this area is key to ensuring a level playing field in an environment of intense competition as OEMs and other non-bank players – which are not subject to ECB supervision – increasingly enter the operational leasing market.

It only remains for me to thank LeasePlanners around the world who have once again delivered another remarkable performance, as well as the Executive Committee for its commendable leadership during a challenging year. I would also like to thank our customers and suppliers for their ongoing confidence and partnership, as well as our current shareholders for six years of trust and collaboration.

I end this statement with an immense pride in our business, our people and our future. Together, we have delivered 60 years of profitable, sustainable growth, and it is my true belief that the next 60 years will be even more exciting.

Jos Streppel
Chair of the Supervisory Board of LeasePlan

Report from the Supervisory Board

This report contains an overview of the activities of the Supervisory Board and its committees in 2022. A description of the composition and operation of the Supervisory Board is also set out in this report and in the subsection on Governance.

Profile and composition of the Supervisory Board

The Supervisory Board of LeasePlan has been composed to safeguard the proper execution of the function of the Board and its committees. Its size and composition are attuned to the nature and characteristics of the business, as well as the required expertise and background of each member. In 2022, the Supervisory Board consisted of Mr. J.B.M. Streppel (Chairman), Mr. S. van Schilfgaarde, Mr. P.J. Scholten, Ms. H. von Stiegel, Mr. S. Orlowski (as of 18 March 2022), Mr. E.-J.B. Vink and Ms. A.C.C. van Hövell-Patrizi (up to 18 March 2022).

Independence

All members of the Supervisory Board perform their duties independently and critically. In the event of a conflict of interest with regards to a particular topic, the Supervisory Board member in question may not participate in deliberations or decision-making on that topic. Five members are independent, of which two, Mr. P. Scholten and Ms. H. von Stiegel, were appointed following the specific right of recommendation by the Central Works Council, and one, Mr. E.-J.B. Vink, is associated with the consortium of shareholders.

Diversity

The members of the Supervisory Board have a diverse and balanced mix of knowledge, skills and expertise[84]. The Supervisory Board aims to ensure its members represent a good balance in terms of diversity (including educational and professional background, gender, age, cultural background, and geographical provenance) to warrant proper supervision of the overall management of the Group by the Managing Board.

Responsibilities of the Supervisory Board

The Supervisory Board supervises the Managing Board and the Executive Committee and the general conduct of affairs of LeasePlan and its Group companies. The Supervisory Board divides its time between its three roles of supervisor, advisor and employer. In its supervisory role the focus of the Supervisory Board is on supervising the general policy and affairs of LeasePlan and its business. In its advisory role, the Supervisory Board advises LeasePlan's Managing Board and the Executive Committee upon request or at the Supervisory Board's own initiative on both a regular and an ad hoc basis. It advises the Managing Board in determining LeasePlan's strategic direction to ensure it creates value for all its stakeholders. In its role as employer, the Supervisory Board deems the establishment of the right culture within the organisation a core element. Regular topics for discussion and, where necessary, approval are the annual and quarterly financial statements, operating and financial performance, organisation and people strategy, funding, potential acquisitions and major investments, objectives, business plans, budgets, IT infrastructure, regulatory compliance, Risk Management and Compliance, Risk Appetite, governance, internal controls and any other organisational developments of the business.

Main supervisory processes

The Supervisory Board regularly interacts with the Managing Board both in its role as supervisor as well as in its role as advisor. This interaction takes place at three levels: in formal meetings of the collective Supervisory Board, at committee level and in bilateral conversations between Supervisory Board and Managing Board members, with an emphasis on bilateral meetings and committees. The Supervisory Board meets with the Executive Committee on a regular basis in the context of the meeting cycles as well as any time the Supervisory Board deems necessary.

84. *Following LeasePlan's Board Recruitment policy (SB and MB)*

The Chairman of the Supervisory Board is in close contact with the Chairman of the Managing Board. There are also close relations with the Central Works Council, not only safeguarded by the two Supervisory Board members who were appointed following the specific right of recommendation of the Central Works Council, but also through direct and regular contacts with the Central Works Council. The Chairman of the Managing Board and the Company Secretary ensure that the members of the Supervisory Board receive timely and clear information on all relevant matters. LeasePlan's internal control functions have direct access to the Chairs of the relevant committees or Supervisory Board, as applicable. Certain resolutions of the Managing Board and the Executive Committee, specified in the Articles of Association of LeasePlan and in the Managing Board and Executive Committee rules, are subject to approval by the Supervisory Board. The Supervisory Board may discuss and, where necessary, approve certain decisions by way of written resolutions outside of the scheduled meetings.

Terms of appointment of members of the Supervisory Board

Members of the Supervisory Board may be appointed for a maximum term of four years and may be reappointed following the expiry of the first term.

Assuring supervision quality

On the basis of suggestion by the individual members, the Chairman of the Supervisory Board decides on the contents of the Supervisory Board's Life Long Learning (LLL) programme, with the aim of maintaining and, where necessary, improving the expertise of the Supervisory Board members to meet the standards that are generally required. The learning programme covers relevant developments in the company and its corporate governance, as well as specific topics relating to the financial and regulatory sector, integrity, Risk Management and Compliance, financial reporting and audits. The members of the Supervisory Board took part in the LLL programme during the year, which included a training using the enneagram methodology. A part of this training was dedicated to conflict management. The other part of the training focused on improving team leadership and the integration of teams during the transition.

(Self-) assessment of the Supervisory Board

The Supervisory Board carries out an annual assessment of its own performance, how its role is perceived by the Managing Board and Executive Committee, its composition and effectiveness, as well as the effectiveness of the LLL programme. Every three years, the self-assessment is performed with the assistance of an external party selected by the Supervisory Board. In this triennial assessment, focus lies on the evaluation of the performance of individual Supervisory Board members, the culture within the Supervisory Board and the relationship between the Supervisory Board and the Managing Board. On an annual basis, the Supervisory Board also performs an assessment of the Managing Board and its individual members.

In 2022, the Supervisory Board conducted a self-assessment, the results of which were discussed during the Supervisory Board meeting on 15 September 2022. The discussion during the self-assessment and Supervisory Board amongst others led to a translation by the Supervisory Board of its philosophy in a written supervisory strategy, including its view on the three roles of the Supervisory Board (supervisor, advisor and employer).

The Supervisory Board is of the opinion that it meets the required profile in terms of suitability, expertise and diversity. The Chairman of the Supervisory Board prioritised bilateral contacts with the other Supervisory Board members to make sure everyone had the required information and knowledge, and that there were regular discussions with the Managing Board/Executive Committee, the consortium of (indirect) shareholders and the Central Works Council.

Senior management was frequently invited to make presentations on a range of topics to the Supervisory Board and its committees. Members of the Supervisory Board, the Managing Board, the Executive Committee and senior management also held relevant discussions throughout the year that were not part of the formally scheduled meetings and calls. The combination of regular meetings/conference calls and the various informal consultations ensured that the Supervisory Board was well informed. The Supervisory Board additionally held several discussions among its members without members of the Managing Board being present.

Meetings of the Supervisory Board and attendance

In 2022, the Supervisory Board held 11 meetings

Date

3 January 2022	22 April 2022	5 August 2022	4 November 2022
4 February 2022	5 May 2022	23 September 2022	12 December 2022
18 March 2022	13 July 2022	29 September 2022	

Attendance of Supervisory Board members

Name	Attendance % Committee meetings	Attendance % SB meetings
J.B.M. Streppel	100%	90.9%
S. van Schilfgaarde	88.2%	90.9%
P.J. Scholten	92.3%	90,9%
H. von Stiegel	100%	100%
A.C.C. van Hövell-Patrizi (up to 18 March 2022)	100%	66.6%
E.-J.B. Vink	80%	81.8%
S. Orlowski	100%	75%

Committee meetings

Committee	Number of meetings
Audit Committee	5
Risk Committee	5
Remuneration Committee	3
Selection and Appointment Committee	2
Digital Committee	5
Supervisory Board	11

Committee membership

Name	Committee membership
J.B.M. Streppel	Selection and Appointment Committee (Chair), Digital Committee, Remuneration Committee and Risk Committee
A.C.C. van Hövell-Patrizi	Risk Committee (Chair, up to 18 March)
S. van Schilfgaarde	Audit Committee (Chair), Digital Committee, Risk Committee and Selection and Appointment Committee
P.J. Scholten	Digital Committee (Chair up to 18 March 2022), Risk Committee (Chair as of 18 March) and Remuneration Committee
H. von Stiegel	Remuneration Committee (Chair), Audit Committee, Digital Committee (as of 18 March 2022), and Selection and Appointment Committee
S. Orlowski	Digital Committee (Chair as of 18 March 2022), Risk Committee (as of 18 March 2022)
E.-J.B. Vink	Audit Committee

Supervision: topics discussed

The recurring items on the quarterly agenda include the financial and commercial results, market developments, developments related to funding and liquidity (including quarterly approval of the funding framework), performance of the Group companies, updates on digital transformation, governance, regulatory compliance, Risk Management and Compliance with a specific focus on the performance against the approved Risk Appetite, asset risk management and credit risk management, including the approval of credit exposures above EUR 150 million. During 2022, the Supervisory Board was regularly updated on the developments around the proposed transaction with ALD, NGDA, regulatory and risk topics (including but not limited to the ECB migration programme), and the Ukraine-Russia war impact.

Financial reporting

Financial reporting is discussed regularly at meetings and calls of the Supervisory Board. All interim financial statement and related review reports of the external auditor were discussed in the presence of the external auditor. The Supervisory Board approved the financial statements for 2022 on 16 March 2023. KPMG acted as external auditor for the 2022 financial year. For each reappointment of the external auditor the Audit Committee will make a recommendation for the year under review in its March meeting, which will then be decided upon during the General Meeting of Shareholders.

Composition and reporting by committees

The Supervisory Board may assign certain tasks to one or more permanent or ad hoc committees comprising one or more Supervisory Board members. The Supervisory Board has a total of five permanent committees. These are: the Audit Committee; the Risk Committee; the Remuneration Committee; the Selection and Appointment Committee; and the Digital Committee. Each committee prepares the Supervisory Board's decision-making in its designated area of interest. The Supervisory Board remains fully responsible, however, for the decisions prepared by these committees. Each Supervisory Board member is entitled to attend the committee meetings, and receives the minutes of each committee meeting and, if so desired, all documentation.

Audit Committee

The Audit Committee met five times in 2022. Recurring items were reviewing the quarterly financial performance press releases, interim financial statements and annual financial statements, the yearly assessment and planning of the Internal Audit function, the quarterly reports of the external auditor, IFRS reporting updates and the internal control measures. The external auditor attended all meetings of the Audit Committee.

Risk Committee

There were five Risk Committee meetings in 2022, in which a cycle of risk-related matters is addressed and with specific items to be tabled upon request. Items handled by the Risk Committee are, amongst others, the functioning of the control functions, Risk Appetite setting, risk profile monitoring and compliance-related matters.

Remuneration Committee

The Remuneration Committee met three times in 2022. It discussed the Remuneration Framework, Identified Staff Selection and Remuneration, Target Setting and the Variable Pay Plan. For more information on remuneration matters please refer to the Remuneration Report on *page 102*.

Selection and Appointment Committee

The Selection and Appointment Committee met two times in 2022. It discussed Life Long Learning, the self-assessment performed over 2022, the compositions and chairs of the Digital Committee and the Risk Committee, the performance of the Managing Board and its members, the Suitability Policy and the collective suitability of the Supervisory Board.

Digital Committee

The Digital Committee met five times in 2022. It discussed the progress on the implementation of NextGen LeasePlan, facilitated by the Next Generation Digital Architecture. In addition, certain specific topics such as cyber security and Quality Management were discussed.

Annual Report and financial statements for 2022

In accordance with the relevant provisions of the Articles of Association of LeasePlan, the Supervisory Board has reviewed the Annual Report and the financial statements for 2022. The Supervisory Board discussed these documents with the Managing Board and KPMG, the external auditor, and took note of the external auditor's report that it issued on the financial statements of 2022, as included from *page 214* of this report. The Supervisory Board proposes that the shareholders adopt the financial statements and the proposed profit appropriation contained therein, and recommends the endorsement of the Managing Board's conduct and the supervision thereof as provided by the members of the Supervisory Board.

Amsterdam, the Netherlands,
16 March 2023

The Supervisory Board

Jos Streppel (Chairman)

Steven van Schilfgaarde (Vice-Chairman)

Paul Johannes Scholten

Herta von Stiegel

Stefan Orlowski

Eric-Jan Vink

Remuneration report

LeasePlan's Group Remuneration Framework

LeasePlan shall continue to ensure that its remuneration policies and practices (including its pension provision) are consistent with and promote sound and effective risk management, including compliance risk management, and in line with its business strategy, objectives, values and long-term interests. The Remuneration Framework is reviewed and approved annually by the Supervisory Board of LeasePlan. Changes followed the 2021 review of latest policy and guidelines on sound remuneration policies under directive 2013/36/EU[85].

The Group Remuneration Framework is designed to provide appropriate, restrained and sustainable remuneration for all employees in support of LeasePlan's long-term strategy, Risk Appetite, objectives and values. The framework takes into account LeasePlan's strategy and long-term interest with due observance of the international context in which LeasePlan operates together with public acceptance. In drafting the remuneration report, LeasePlan has been advised by Stibbe and WTW.

The framework applies globally to all entities, including entities over which LeasePlan effectively has control, and staff members within LeasePlan, including the Managing Board. It includes i) remuneration principles and their governance applicable to all staff and ii) specific details about the remuneration structure of the Identified Staff, i.e. staff considered to have a material impact on LeasePlan's risk profile.

To ensure our approach to remuneration is aligned with societal expectations, we have an ongoing dialogue with our stakeholders about the issues that are important to them, strengthening the link between performance and remuneration outcomes. One topic gaining increasing prominence in these stakeholder dialogues is LeasePlan's ESG activities, which is why we have taken steps to tie the performance assessment of LeasePlan's Managing Board to our most important ESG topics, including:

- Defining science-based reduction targets for LeasePlan's greenhouse gas emissions
- Incorporating climate and environmental risk into our strategy, governance, Risk Management Framework and disclosures
- Enhancing our reporting of key non-financial performance indicators, keeping our stakeholders informed of how we are progressing with our ESG strategy and the impact we have on society.

Design principles

Considering LeasePlan's strategy and Risk Appetite, the following principles have been considered in the design of the framework.

- **Merit-based** Fixed and variable remuneration will be used to align individual performance with both short- and long-term corporate strategy and objectives;
- **Attraction and retention** Remuneration will be set at a level to attract and retain talented and qualified employees within the Group
- **Collaboration** The remuneration structure and performance metrics should encourage a cohesive culture, encourage teamwork and establish a common approach to drive company success
- **Ownership** The remuneration policy should support an ownership culture by providing for a remuneration package that is focused on achieving sustainable financial results, is aligned with the longer-term strategy and shall foster alignment of interests of management and other staff with shareholders
- **Sound and effective risk management** The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level considered acceptable to LeasePlan's Risk Appetite

Remuneration requirements

The following remuneration requirements apply to all staff:

- Fixed and variable remuneration will, in general, be set at the median of the relevant market, assuming a comparable split between fixed and variable remuneration
- Fixed remuneration for an individual employee will take into account skills, experience and individual performance and will be reviewed regularly, typically on an annual basis
- Variable remuneration plans for all employees will be objective, measurable and linked to individual, company/entity and Group performance as appropriate. Plans will support both short and long-term objectives of LeasePlan as appropriate and consist of at most 50% financial and at least 50% non-financial performance objectives
- Variable remuneration cannot exceed 100% of fixed remuneration. For staff who are employed by one of the Dutch operating companies this maximum is further capped at 20% on average

85. These changes were made to align the existing policy to the latest version of the Regulatory Technical Standards. Amongst others further information was added on the use of judgement in relation to variable remuneration assessment

- Pension schemes are recognised in accordance with the applicable accounting standards. LeasePlan does not award discretionary pension benefits as part of the variable remuneration
- Other benefits for staff are provided in line with market practice
- Severance payments do not provide for disproportionate reward, but for an appropriate compensation of the staff member in cases of early termination of the contract. For LeasePlan's daily policymakers severance payments are capped at 100% of the annual fixed remuneration
- Clawback and malus provisions are applicable to all variable remuneration awarded

Remuneration of Identified Staff

Annually a review is conducted to ensure the correct jobs are flagged as Identified Staff. This review is done on the basis of the requirements under article 94(2) of CRD as amended by Directive (EU) 2019/878

In addition to the remuneration requirements applicable to all staff, for Identified Staff the following key elements of the variable remuneration apply:

- Variable remuneration awards for Identified Staff positions will be reviewed by the Managing Board and subject to approval of the (Remuneration Committee of the) Supervisory Board
- Performance indicators used for determining variable remuneration (both the financial and non-financial) have an 'on target' and 'maximum' score
- In principle the maximum total at-target level of variable remuneration for Identified Staff is set at 50% of the annual fixed remuneration with stretched levels per function level but in no case exceeding 100% of the annual fixed remuneration in case of outperformance. In case of underperformance the variable remuneration is set at nil
- Variable remuneration is capped at 50% for the following Identified Staff: heads of Risk Management, Compliance and Audit
- The relationship between fixed and variable remuneration will be carefully considered, with a sufficiently high fixed component so as to avoid excessive risk taking in order to achieve the variable remuneration elements
- Variable remuneration for Identified Staff consists of cash (at most 50%) and non-cash instruments (at least 50%). The non-cash element of variable remuneration consists of Phantom Share Units (PSUs). The value of the PSUs is set by the Supervisory Board after a recommendation is done by an external valuation expert
- 50% of the total annual variable remuneration will be granted upfront (both cash and PSUs) and 50% of the total variable remuneration will be deferred for a period of five years whereby annual vesting is applied. The four-year vesting period is in accordance with the business cycle, the nature of activities and the associated risks
- After vesting, an additional holding period of one year applies to all vested PSUs, after which the PSUs are paid out in cash
- For Identified Staff, the Variable Pay Plan is proposed by the Managing Board and approved by the (Remuneration Committee of the) Supervisory board in line with the Remuneration Framework
- For variable remuneration that deviates from the Framework, approval is required by the (Remuneration Committee of the) Supervisory Board

Remuneration of the Managing Board

In addition to the general remuneration principles applicable to all staff and Identified Staff, for the Managing Board the following principles apply:

- Variable remuneration plans for the Managing Board will be determined by the Remuneration Committee of the Supervisory Board in line with the remuneration policy of the Managing Board[86] and the Remuneration Framework
- Managing Board members are appointed for the duration of four years
- 60% of all granted variable remuneration is deferred for a period of five years
- For the Managing Board at least 50% of variable remuneration will be paid in the form of PSUs
- Managing Board members in principle fully participate in LeasePlan's pension scheme. Where the applicable retirement age ('pensioengerechtigde leeftijd') is however reached during the appointment period, a fixed gross allowance of 18.7% over the gross annual salary is paid
- Managing Board members are entitled to a net expense allowance of EUR 550 on a monthly basis

86. *The remuneration policy has been updated and was subsequently adopted by the General Meeting on 14 March 2022 and applies from 1 January 2022. This policy may be reviewed from time to time when appropriate, e.g. in case of any changes in legislation or instructions from the competent regulator. Changes made are subject to a favourable shareholder vote at least every four years*

Summary of terms and conditions of the Managing Board

In addition to the general remuneration principles applicable to the Managing Board the following terms and conditions apply:

- A notice period of three months in case of voluntary resignation by a Managing Board member and six months in case of termination by the employer applies
- In line with the Dutch Banking Code, the remuneration positioning of the Managing Board will, in general, be set just below the median of the relevant market
- Managing Board members are entitled to a variable remuneration of 50% at target and 100% at maximum
- Managing Board members are entitled to other benefits such as a company car as per the applicable car policy of LeasePlan or a mobility allowance, statutory holiday entitlements, reimbursement schemes, (discount on) company fitness, periodic health checks etc.
- No Managing Board member is entitled to be paid a severance payment upon termination of the Managing Board member's appointment, that exceeds 1x gross annual base salary in the preceding financial year. No severance is paid in case of early resignation at the initiative of the Managing Board member. All termination payments comply with the company's contractual, legal and regulatory requirements and are made in such a way as to ensure they do not reward failure or misconduct and reflect performance over time.
- Managing Board members who are expatriated to the Netherlands are entitled to compensation of costs related to housing and other expatriate-related expense reimbursement as per the applicable policy
- The Managing Board member may participate in a retention programme where it is focused on retaining the specific Managing Board member, subject to applicable legislation and the conditions as set out in the Remuneration Framework. Retention pay classifies as variable income.
- When hiring a new Managing Board member, a Sign-On and/or Buy-out award can be provided

Risk adjustment

The variable remuneration of Identified Staff is subject to a possible downward adjustment, which is risk related. Herewith LeasePlan ensures that variable remuneration is fully aligned with the risks undertaken. This is implemented through the ex-ante risk adjustment process and the ex-post risk adjustment process. The ex-ante risk adjustment takes place directly after the performance year, and ex-post risk adjustment takes place before the deferred payments are released to the Identified Staff in future years or earlier in case of a triggering event. In the risk adjustment processes, all relevant risk categories are covered in a balanced way. Depending on the character of the risk categories, the risk adjustment conclusions are based on quantitative risk indicators and/or judgement of the Risk Management function, based on experience and expertise.

Remuneration governance

The remuneration governance within LeasePlan is as follows:

Corporate governance

The remuneration report sets out LeasePlan's remuneration policy, as laid down in the Group Remuneration Framework, which is in accordance with all relevant legal requirements and guidelines, including the Banking Code, the Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2014, the Dutch Act on Remuneration Policies for Financial Enterprises (the WBFO) and Book 2 of the Dutch Civil Code (DCC).

The following corporate bodies and functions within LeasePlan are involved in remuneration governance: the Managing Board, the Supervisory Board, the Remuneration Committee, Human Resources ('People & Performance, or, P&P'), and the control functions Risk Management, Compliance and Audit (jointly referred to as the Control Functions).

The Supervisory Board advised by the Remuneration Committee

The main responsibilities of the Supervisory Board advised by the Remuneration Committee as stated in the Remuneration Framework are the following:

- Approving the selection of Identified Staff on an annual basis
- Approving the financial and non-financial performance indicators and targets for Identified Staff
- Reviewing and approving significant severance payments for Identified Staff
- The structure and the level of all remuneration and performance assessment of the members of the Managing Board
- Overseeing remuneration of Identified Staff including Heads of Control Functions
- Approving the principles underlying the Remuneration Framework for the company and its Group companies, as applicable, which includes provisions on retention, exit and welcome packages
- Approving and overseeing the Remuneration Framework's design and operation, as well as a central and independent review of the remuneration policies and practices on an annual basis
- Deciding on items prepared by the Remuneration Committee of the Supervisory Board

In order to support sound decision-making, external advice may be sought by the (Remuneration Committee of the) Supervisory Board.

During the 2022 Remuneration Committee meetings among other things, the following topics were discussed

- Regulatory updates;
- Selected Identified Staff positions;
- Variable remuneration performance indicators and targets;
- Remuneration of the Managing Board;
- Ex-ante risk assessment and ex-post risk assessment

The Managing Board

The main responsibilities of the Managing Board concerning the Framework are the following:

- Adopting the Remuneration Framework
- Determining the criteria on the basis of which the Identified Staff are selected
- Proposing the Identified Staff group
- Determining fixed and variable remuneration levels/payments including the application of ex-ante and ex-post risk measures for Identified Staff (excluding those of Managing Board members and Heads of Control Functions)
- Determining fixed and variable remuneration levels/payments for Other Management, not being Identified Staff
- Setting the financial, commercial and non-financial and personal targets (as applicable) for Identified Staff and Other Management, not being Identified Staff (excluding those of Managing Board members)

Control Functions

In line with remuneration regulations, the Control Functions Risk, Compliance and Audit review and monitor the execution of the Framework together with the People & Performance department.

Performance indicators and targets

Global performance indicators are set by the (Remuneration Committee of the) Supervisory Board for the Identified Staff on an annual basis. The indicators, which need to comply with relevant remuneration regulations, are set to support the achievement of the long-term strategy of LeasePlan and consider the interests of all relevant stakeholders.

After the performance year the performance achievement of the Identified Staff is reviewed by People & Performance. Separately, the Control Functions Risk and Compliance perform an ex-ante risk analysis and report their findings to the (Remuneration Committee of the) Supervisory Board.

In case of deferred variable remuneration, the ultimate payment is also subject to an ex-post risk analysis, as performed by the Control Functions Risk and Compliance and subject to approval by the (Remuneration Committee of the) Supervisory Board. The extent to which the targets have been achieved by each individual Identified Staff member is ultimately determined and approved by the (Remuneration Committee of the) Supervisory Board after the end of each performance period.

Performance indicators

The table below provides an overview of the global performance indicators that are derived from LeasePlan's business strategy for performance year 2022:

Strategy in 2022	Our goal was to maintain the strength and resilience of the business, while delivering portfolio growth			
Key performance indicators in 2022*	Financial		Non-financial	
Target	Net result	Cost/Income Ratio	Weighted Fleet Growth	Net Promoter Score (NPS)
All targets as % of variable remuneration for Managing Board**	20%	5%	20%	5%

To determine the individual performance of Managing Board members, specific individual performance indicators have been set and are evaluated for performance year 2022[87].
** *Individual performance can reduce or increase the variable remuneration*

For all performance indicators, a threshold and stretch level is defined. In addition, for all non-financial performance indicators a financial threshold applies. Where appropriate, more specific and personal performance indicators may apply for certain Identified Staff positions.

The performance indicators for Control Functions may not create a conflict of interest and the function holders are remunerated on the basis of the achievement of non-financial Group objectives and non-financial performance indicators relevant to their position.

Share-based payments

Selected managers of the LeasePlan management, including the Managing Board members, participate in the share capital of an indirect parent company of the Group. The company or another Group entity will under no circumstances be required to settle the shares in cash with the participating managers. Accordingly, this arrangement is classified as an equity-settled share-based payment arrangement.

Execution in 2022

In 2022, the Remuneration Framework remains aligned with European Banking Authority Guidelines on sound remuneration policies, organisational changes and LeasePlan's corporate strategy.

In 2022 there was no claw-back or hold back of variable remuneration previously allocated.

For 2023, the Remuneration Framework will be reviewed and where required updated to ensure compliance with regulatory requirements and alignment with the corporate strategy going forward.

Remuneration disclosures

In line with article 450 Capital Requirements Regulation, the following table summarises i) the total amount of aggregated variable remuneration expenses for the year 2022 and ii) the number of individuals employed by LeasePlan who received a total remuneration of more than EUR 1 million.

- Total aggregated variable remuneration expenses for all staff within LeasePlan globally: EUR 81 million
- Number of individuals that received (i.e. were awarded) more than EUR 1 million of total remuneration: 8 head office

More remuneration information can be found in:

- Note 6 of the consolidated Financial Statements as included in the Annual Report: Staff expenses
- Note 28 of the consolidated Financial Statements as included in the Annual Report: Trade and other payables and deferred income
- Note 37 of the consolidated Financial Statements as included in the Annual Report: Related parties which includes Managing Board and Supervisory Board remuneration
- Pillar III report, remuneration section as published on *page 83* of the Remuneration of the Pillar III 2022 Report. Quantitative remuneration information with respect to Identified Staff

87. *For example, specific KPIs related to ESG. For reference, see in this report section Pillar 3 'Be responsible' page 72*

Governance

We believe that a robust infrastructure supported by the right culture, values and behaviours, both at the top and throughout the entire organisation, is an imperative. A well-defined and well-structured corporate governance structure ensures good long-term relationships within the organisation, with internal and external stakeholders, and with society at large.

LeasePlan is incorporated under the laws of the Netherlands. Its head office, as well as its statutory seat, is in Amsterdam, the Netherlands. LeasePlan operates in over 28 countries and these operations are conducted through various local LeasePlan companies. The full list of subsidiaries and participating interests referred to in article 2:414 of the Dutch Civil Code is included on *page 157*. During 2022, several changes took place in the legal group structure, including the sale of LeasePlan USA Inc. and the intra-group merger of LeasePlan Information Services Ltd. (Ireland) into LeasePlan Digital B.V.

Supervision

In addition to an effective global corporate governance infrastructure, LeasePlan is subject to supervision by competent supervisory authorities worldwide with whom it is constantly engaged in discussions and assessments. In the Netherlands, LeasePlan is supervised by, among others, the Dutch Authority for the Financial Markets (AFM). As LeasePlan's balance sheet total of €30 billion on the regulatory consolidated level has been surpassed, LeasePlan qualifies as a significant institution and, as a result, LeasePlan is regulated by the European Central Bank (ECB).

Several other LeasePlan companies are supervised by relevant local supervisory authorities. In Ireland, where LeasePlan Insurance is located, the Central Bank of Ireland (CBI) supervises the insurance activities of the company.

Applicable laws and codes

As of 21 March 2016, LeasePlan applies the provisions of the full large company regime (volledig structuurregime). Additionally, we are subject to certain EU legislation including, among others, the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR), which has an impact on the regulation of our businesses in the European Union, and the regulations and supervision by local supervisory authorities of the various countries in which we do business.

As LeasePlan is not a listed entity, we are not subject to the Dutch Corporate Governance Code (Code). However, we view the Code as a reference point for good corporate governance practices and therefore apply certain principles and best practice provisions of the Code, placing more emphasis on long-term value creation and risk management as a benchmark for assessing any further improvements to our governance framework and policies.

As part of its diversified funding strategy, LeasePlan obtains funds from savings deposits in the Netherlands and Germany through LeasePlan Bank. It has a banking licence pursuant to which it is obliged to comply with banking regulations such as the CRD, the CRR and the Banking Code. This covers areas such as governance, remuneration, audit and risk management. On an annual basis, we are obliged to disclose information on how we have complied with the Banking Code in practice.

More information about our corporate governance, such as on our Code of Conduct, Supplier Code of Conduct, compliance with the Banking Code and our Articles of Association, can be found on our website: www.leaseplan.com/corporate.

Shareholders

LP Group B.V. is the sole shareholder of LeasePlan Corporation N.V., with TDR Capital, sovereign wealth funds ADIA and GIC, and pension funds PGGM and ATP among the indirect shareholders of LeasePlan Corporation N.V. None of these investors alone has a direct or indirect controlling interest in LeasePlan. There are no shares without voting rights or shares that give no or limited entitlement to profits or reserves of the company.

Following the proposed transaction with ALD, LeasePlan will have a new shareholder structure.

Governance structure

LeasePlan is governed by a two-tier board comprising a Supervisory Board and a Managing Board. LeasePlan also has an Executive Committee which comprises members of the Managing Board as well as LeasePlan's Cluster Directors and certain senior functional directors. The Executive Committee ensures LeasePlan's businesses, countries and functions are properly represented in the decision-making process, to strengthen the company's ability to develop and execute its strategy.

The Supervisory Board, the Managing Board and the Executive Committee perform their duties and powers as laid down in the relevant laws, rules, regulations and our Articles of Association.

Supervisory Board

The Supervisory Board is responsible for supervising the Managing Board, the Executive Committee and the general course of affairs of LeasePlan and its Group companies.

As of 31 December 2022, the Supervisory Board consisted of six members. More detailed information with respect to the Supervisory Board and its members can be found in the Supervisory Board report and on *page 97*.

LeasePlan believes that the Supervisory Board has sufficient diversity in the background, knowledge and expertise of the individual members to warrant proper supervision of the overall management of the Group by the Managing Board.

Managing Board and Executive Committee

The Managing Board is entrusted with the overall management of the company and its business. The Executive Committee is responsible for the operational management of the company and its business. The Managing Board's responsibility is, inter alia, setting the overall strategy to ensure the company creates value over the short, medium and long term, and that this is supported by the overall business approach and policies of LeasePlan and its Group companies.

The Managing Board is well aware of the need to ensure its actions are consistent with LeasePlan's culture, ethics and values, and of the positive effects this has for the rest of the organisation. Moreover, the Managing Board is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Managing Board is responsible for adhering to suitable accounting policies and applying them on a consistent basis and making judgements and estimates that are prudent and responsible. It is also responsible for establishing and maintaining internal procedures to ensure it is informed of all major information, to ensure the timeliness, completeness and accuracy of external financial reporting. This means the Managing Board is responsible for the system of internal control that is designed to safeguard controlled and sound business operations and ensure the quality of internal and external reporting, and compliance with applicable laws, regulations and codes of conduct.

In devising internal controls, LeasePlan has taken into account the nature and extent of the risks that may affect the soundness of the entire enterprise, the likelihood of risks occurring and the cost of control.

As at 31 December 2022, the Managing Board consisted of Mr L.W. (Tex) Gunning as Chief Executive Officer, Mr T. (Toine) van Doremalen as Chief Financial Officer and Mr J.G. (Jochen) Sutor as Chief Risk Officer. More detailed information about the members of the Managing Board can be found on *page 89*.

As at 31 December 2022, the Executive Committee consisted of the Managing Board, as well as B.J.P. (Berno) Kleinherenbrink (Chief Commercial Officer and Cluster Director), I. (Ignacio) Barbadillo Llorens (Chief Operations Officer and Cluster Director), T.R. (Tjahny) Bercx (Chief People & Performance Officer and Cluster Director), F. (Philippos) Zagorianakos (Chief Business Excellence Officer & Cluster Director), L. (Liza) Hoesbergen (Chief Legal Officer & Company Secretary), M.M. (Michel) Alsemgeest (Chief Digital & Information Officer) and J.M. (Matthijs) den Breeje (Chief Risk Manager).

The Chief Compliance Officer, the SVP Audit and the Chief Strategy Officer have a standing invitation to attend the meetings of the Executive Committee and have access to the meeting documents.

The division of tasks within the Managing Board and the Executive Committee is determined by the Managing Board, within the limits of applicable law and regulations, and has been approved by the Supervisory Board. The members of the Managing Board and Executive Committee are fully supported in performing their duties by the advice and services provided by a mixed and diverse management team.

LeasePlan operates a lifelong learning programme for the members of the Managing Board, the Executive Committee and the Supervisory Board. The various training sessions are conducted by both internal and external experts.

Diversity

LeasePlan is committed to attracting and retaining the finest talent as this ensures top business performance and delivers a competitive advantage. We recruit from a wide range of backgrounds, including cultural, national, racial, social and professional backgrounds as this allows us to meet the needs of our customers, while providing us with valuable knowledge for understanding complex markets. Taking into account the above, LeasePlan aims to have at least 30% females and 30% males in its Supervisory Board, Managing Board and Executive Committee and operates a formal policy to this end. This means that every time a position within either the Managing Board, Executive Committee or Supervisory Board becomes vacant, the gender diversity aspect will be taken into account during the procedure of selection and appointment of the candidates.

During 2022, 29% of LeasePlan's Supervisory Board and 10% of LeasePlan's Executive Committee was female. There are currently no female members of the Managing Board. Going forward, LeasePlan will continue to strive for an equal division of gender, among others, by considering and taking into account this aim when appointing or nominating individuals for appointment to the Managing Board, Executive Committee and Supervisory Board respectively.

Statement of the Managing Board

The Managing Board is responsible for designing, implementing and maintaining the internal risk management and control systems. The purpose of these assurance mechanisms is to adequately and effectively manage the risks associated with the strategy and activities of the company. In this respect the Managing Board has assessed the design and operating effectiveness of the internal controls and risk management systems, which is described in more detail below. Based on this assessment and in accordance with best practice provision 1.4.3 of the Dutch Corporate Governance Code and Article 5:25c of the Financial Supervision Act, the Managing Board believes, to the best of its knowledge, that:

1. the Annual Report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems during the financial year 2022;
2. the internal risk management and control systems provide reasonable assurance that the financial statements do not contain any material inaccuracies;
3. based on the current state of affairs, it is justified that the financial statements are prepared on a going concern basis; and
4. the Annual Report states those material risks and uncertainties that are relevant to the expectations of the company's continuity for the period of 12 months after the preparation of this report.

It should be noted that the above does not imply that these internal risk management and control systems provide absolute assurance as to the realisation of the business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliance with legislation, rules and regulations. Nor can they provide certainty that LeasePlan will achieve its objectives. Furthermore, evaluations on the effectiveness of internal control over financial reporting related to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Further information on the risks facing LeasePlan can be found in the 'Risk uncertainties' and 'Risk highlights' section on *pages 80 and 81*.

Amsterdam, the Netherlands

13 March 2023

Tex Gunning
Jochen Sutor
Toine van Doremalen

Background and explanation

The Managing Board is accountable for the management of all risks associated with the company's strategy and activities. To this end, appropriate risk management procedures and governance have been put in place.

As part of the transition to supervision by the European Central Bank, several initiatives have begun to enhance the control environment. We have reviewed our whole taxonomy to describe the risk universe of LeasePlan. Extensive control libraries have been developed for the management of asset risk, credit risk, compliance risk and information risk, and are currently in the process of being rolled out.

These initiatives and the amount of people involved have contributed to an increase in control awareness within the LeasePlan Group. In addition, the control functions have increased their workforce to support all the initiatives and to roll out and run the new Risk Management Framework.

Governance

The responsibility for identifying and managing risks is a first line responsibility, primarily with LeasePlan's entities. These entities are supported and overseen by our Group functions Risk Management and Compliance (first and second line) and are periodically assessed by Group Audit. Group Risk Management and Group Compliance report directly to the CRO and Group Audit has direct access to the CEO as well as to the Audit Committee of the Supervisory Board. LeasePlan entities are responsible for implementing, maintaining, operating and monitoring an appropriate risk management and internal control system within their area of responsibility. This responsibility includes the management, monitoring, reporting and controlling of risks. Group Audit closes the control cycle through regular assessments of the design and effectiveness of the risk management and internal control systems.

Internal control framework

LeasePlan's internal control framework provides insights into failings of the effectiveness of internal risk management and control systems, based on the results of several Risk Management Instruments, including identification, registration, assessments and reporting of risks, controls and losses. The risk management and internal control framework within LeasePlan covers financial (e.g. asset risk, credit risk, etc) and non-financial risk categories (e.g. legal and compliance risk, information risk, etc).

To provide assurance over the external financial reporting risks, LeasePlan has implemented, in prior years, a Global Financial Control Framework owned and maintained by Group Finance. The framework is set up as a self-assessment process, with periodic review and monitoring by Group Finance. The improvement of controls is a continuous effort.

In 2021, the implementation of a new Internal Control Framework started and during 2022 several extensive control libraries were built (including Financial Controls) based upon global standards and methodology. The controls that are part of the Global Financial Control Framework are being integrated as part of the Internal Control Framework. A new global software application was implemented to be used for managing the business with an integrated solution for governance, risk and compliance (GRC). This control framework was implemented during the course of 2022 and will be further implemented and enhanced during 2023.

Next to control activities, the Group has important monitoring activities at central level, represented by a subset of internal processes with review mechanisms which are continuously being improved and enhanced.

Important components and activities include:

- **Monthly Business Reviews (MBRs):** Due to the international network of subsidiaries, the Group performs oversight via Monthly Business Reviews both on strategic objectives and on the performance with respect to local Risk Appetite.
- **Fleet Risk Assessments**: On a quarterly basis, each operating entity performs an assessment of the expected results at termination date on the portfolio of contracts, representing the Fleet Risk Assessment (FRA). All FRAs are centrally reviewed, assessed and discussed with the entities.
- **Accounting and reporting policies:** LeasePlan has a uniform set of accounting and reporting principles applied throughout the Group based on its application of International Financial Reporting Standards (IFRS). Group Finance monitor any ensuring compliance with the policies defined.

- **Letter of representation:** Managing and Finance Directors of the entities submit a letter of representation emphasising the compliance with the Group policies and the uniform set of accounting and reporting principles.
- **Policy attestation:** The Group performs a policy attestation process to assess the level of adherence to key risk policies on a local level and within operating units. A report on the outcome of such attestation process and an overview of required actions is provided to the Managing Board on a regular basis.
- **Entity oversight:** In order to obtain insight of local risk management practices and to determine whether risk – regarding all risk types – is taken in a controlled way, an entity oversight governance structure is in place. Group Risk Management actively monitors the performance of the entities with regard to these risk types, and oversight activities such as CRO oversight meetings are carried out as well. Alignment meetings with Cluster and local Risk Directors are in place to make sure that the local second line functions are aligned with the Group's second line functions.
- **Risk performance evaluation:** The ambition to manage and monitor risk on an integrated and holistic basis has been a key driver in the set-up of an independent risk function at entity and Cluster level, reporting into Group Risk Management. In order to have good insight about the performance of the local Risk function, entities are monitored on a regular basis with regard to different aspects. The main objectives of the performance evaluation, which consists of KPIs the local Risk function can influence, are:
  - to gain insight in the maturity of local risk management practices
  - to assess regulatory compliance by adherence to global policies. Entities are challenged where necessary
- **Systematic Integrity Risk Assessment (SIRA):** On an annual basis, every entity submits a local SIRA which is consolidated into a global overview report. The SIRA is based on identified risks which are connected to scenarios that must be evaluated by all entities. Control measures must be described, effectiveness determined and, if outside Risk Appetite, mitigating actions are described.
- **Strategic Risk Assessment (SRA):** As part of the risk strategy process, LeasePlan identifies and assesses the risks it is exposed to on an annual basis via an SRA to ensure that we actively manage and mitigate the impact of these risks on our strategic goals, reputation and financial results. The SRA considers the current business, external trends and emerging developments and includes a heatmap of the environment (in terms of probability and impact), concludes which risks are part of the risk universe and as such under active management, and defines the taxonomy.
- **Internal Audit:** In LeasePlan Group, internal audits are performed by Group Audit, acting as third line, through a risk-based audit methodology. The objective of the risk-based audit is to reach opinions on the internal control quality of the company. The quality review of the design and effectiveness of internal control procedures has to be planned in such a way that all major entities and processes in these organisations will be analysed periodically. Group Audit executes on a yearly basis the internal audit plan, as approved by the Managing Board and the Audit Committee.

From the end of March to mid December 2022, the Dutch National Bank on behalf of the European Central Bank has conducted an inspection of LeasePlan's IRB models and reviewed related processes and systems. A report has been shared by the regulator, which revealed multiple (severe) findings. No formal decision or remedies based on the inspection have been issued or mandated by the authorities yet, but a decision could lead temporarily to higher capital requirements (potentially by temporarily applying the Standardized Approach, which could lead to a substantially higher RWA for LeasePlan until remedial work has been completed).

Financial statements

This copy of the Annual Report 2022 of LeasePlan Corporation N.V. is not in the European single electronic reporting format (ESEF) as specified in the RTS on ESEF (Regulation (EU) 2019/815). The ESEF version of the Annual Report 2022 is available at www.leaseplan.com/corporate/investors/results-reports-and-funding-documents.

Contents

Consolidated statement of profit or loss

for the year ended 31 December

In thousands of euros	Note	2022	2021[1]
Operating lease income		3,919,754	3,726,287
Finance lease and Other interest income		158,846	61,140
Additional services income		2,342,508	2,069,962
Vehicle sales and End of contract fees		3,314,198	3,280,194
REVENUES	4	**9,735,305**	**9,137,582**
Depreciation cars		2,610,838	2,937,143
Finance cost		295,299	259,179
Unrealised (gains)/losses on financial instruments	16	−235,755	−75,602
Impairment charges on loans and receivables	5	13,643	26,780
Lease cost		2,684,025	3,147,501
Additional services cost		1,521,093	1,323,347
Vehicle and disposal cost		2,712,219	2,885,617
DIRECT COST OF REVENUES	4	**6,917,337**	**7,356,465**
Lease services		1,394,575	639,926
Additional services		821,415	746,614
Profit/loss on disposal of vehicles and End of contract fees		601,979	394,577
GROSS PROFIT	4	**2,817,968**	**1,781,117**
Staff expenses	6	601,162	472,599
Other operating expenses	7	265,468	273,847
Other depreciation and amortisation	8	92,142	80,523
TOTAL OPERATING EXPENSES		**958,772**	**826,969**
Share of profit of investments accounted for using the equity method	23	6,182	−5,520
Other income	9	−50,649	−8,706
PROFIT BEFORE TAX		**1,814,730**	**939,922**
Income tax expenses	10	428,298	201,276
Net result from continuing operations		1,386,432	738,645
Net result from discontinued operations	11	548,960	278,514
NET RESULT FOR THE PERIOD		**1,935,392**	**1,017,159**
Attributable to:			
Equity holders of parent		1,898,512	980,535
Holders of AT1 capital securities		36,880	36,880
Non-controlling interest		–	−256

[1] *Comparative information has been restated due to discontinued operations. See Note 11 – Discontinued operations*

Consolidated statement of comprehensive income

for the year ended 31 December

In thousands of euros	Note	2022	2021
NET RESULT		**1,935,392**	**1,017,159**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit reserve, before tax	33	11,555	1,415
Income tax on post-employment benefit reserve	10	−3,032	−309
SUBTOTAL CHANGES IN POST-EMPLOYMENT BENEFIT RESERVE, NET OF INCOME TAX		**8,523**	**1,107**
Items that may be reclassified to profit or loss			
Changes in cash flow hedges, before tax		–	1,729
Cash flow hedges recycled from equity to profit or loss, before tax		–	15
Income tax on cash flow hedges	10	–	−436
SUBTOTAL CHANGES IN CASH FLOW HEDGES, NET OF INCOME TAX	10	**–**	**1,308**
Exchange rate differences	33	−66,508	−8,905
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		**−57,985**	**−6,490**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,877,407**	**1,010,669**
Comprehensive income attributable to:			
Owners of the parent		1,840,527	974,045
Holders of AT1 capital securities		36,880	36,880
Non-controlling interest		–	−256
Comprehensive income attributable to owners of the parent arises from:			
Continuing operations		1,307,379	679,491
Discontinued operations		533,148	294,554

Consolidated statement of financial position

as at 31 December

In thousands of euros	Note	2022	2021
ASSETS			
Cash and balances at central banks	13	7,117,329	5,447,685
Investments in equity and debt securities	14	123,141	177,220
Receivables from financial institutions	15	887,511	687,651
Derivative financial instruments	16	545,140	176,167
Other receivables and prepayments	17	1,260,822	1,036,805
Inventories	18	265,049	370,605
Lease receivables from clients	20	2,045,230	3,492,981
Property and equipment under operating lease, rental fleet and vehicles available for lease	21	20,150,395	19,739,908
Other property and equipment	22	240,714	296,515
Loans to investments accounted for using the equity method	19	110,500	200,000
Investments accounted for using the equity method	23	18,421	16,716
Intangible assets	24	465,881	351,511
Corporate income tax receivable		27,124	18,063
Deferred tax asset	25	137,821	238,147
Assets classified as held-for-sale	26	1,125,167	–
TOTAL ASSETS		**34,520,246**	**32,249,975**
LIABILITIES			
Trade and other payables and deferred income	28	3,642,060	3,059,927
Borrowings from financial institutions	29	3,032,320	3,324,010
Derivative financial instruments	16	549,831	108,417
Funds entrusted	27	10,852,278	10,334,671
Debt securities issued	30	9,055,215	9,401,924
Provisions	31	622,418	581,713
Corporate income tax payable		45,307	33,046
Loans from equity investments		–	25,000
Lease liabilities	22	168,805	236,085
Deferred tax liabilities	25	473,165	365,290
Liabilities classified as held-for-sale	26	510,636	–
TOTAL LIABILITIES		**28,952,035**	**27,470,083**
EQUITY			
Share capital	32	71,586	71,586
Share premium	32	506,398	506,398
Other reserves	33	–63,622	–147,872
Retained earnings	34	4,555,912	3,851,843
EQUITY OF OWNERS OF THE PARENT		**5,070,273**	**4,281,955**
AT1 capital securities	35	497,937	497,937
TOTAL EQUITY		**5,568,210**	**4,779,892**
TOTAL EQUITY AND LIABILITIES		**34,520,246**	**32,249,975**

Consolidated statement of changes in equity

In thousands of euros	Share capital	Share premium	Other reserves	Retained earnings	Equity of owners of the parent	AT1 capital securities	Non-controlling interest	Total equity
BALANCE AS AT 1 JANUARY 2021	**71,586**	**506,398**	**−141,382**	**3,243,734**	**3,680,335**	**497,937**	**−47**	**4,178,225**
Net result	–	–	–	1,017,415	1,017,415	–	−256	1,017,159
Transfer – accrued interest on AT1 capital securities	–	–	–	−36,880	−36,880	36,880	–	–
Other comprehensive income	–	–	−6,490	–	−6,490	–	–	−6,490
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**−6,490**	**980,535**	**974,045**	**36,880**	**−256**	**1,010,669**
Interim dividend	–	–	–	−372,425	−372,425	–	–	−372,425
Sale of subsidiary with NCI	–	–	–	–	–	–	303	303
Interest coupon paid on AT1	–	–	–	–	–	−36,880	–	−36,880
BALANCE AS AT 31 DECEMBER 2021	**71,586**	**506,398**	**−147,872**	**3,851,843**	**4,281,955**	**497,937**	**–**	**4,779,892**
Restatement due to hyperinflation	–	–	142,234	–	142,234	–	–	142,234
BALANCE AS AT 1 JANUARY 2022	**71,586**	**506,398**	**−5,638**	**3,851,843**	**4,424,189**	**497,937**	**–**	**4,922,126**
Net result	–	–	–	1,935,392	1,935,392	–	–	1,935,392
Transfer – accrued interest on AT1 capital securities	–	–	–	−36,880	−36,880	36,880	–	–
Other comprehensive income	–	–	−57,985	–	−57,985	–	–	−57,985
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**−57,985**	**1,898,512**	**1,840,528**	**36,880**	**–**	**1,877,407**
Interim dividend 2022 declared	–	–	–	−585,593	−585,593	–	–	−585,593
Final dividend 2021 declared	–	–	–	−608,850	−608,850	–	–	−608,850
Interest coupon paid on AT1	–	–	–	–	–	−36,880	–	−36,880
BALANCE AS AT 31 DECEMBER 2022	**71,586**	**506,398**	**−63,622**	**4,555,912**	**5,070,273**	**497,937**	**–**	**5,568,210**

Consolidated statement of cash flows

for the year ended 31 December

In thousands of euros	Note	2022	2021
Operating activities			
Net result		1,935,392	1,017,159
Adjustments			
Interest income and expense	4	200,405	187,504
Other financial (gain)		−4,458	–
Impairment charges on receivables	5	13,982	23,500
Gain on monetary positions on hyperinflation		−66,094	–
Valuation allowance on inventory		–	−8,046
Depreciation operating lease portfolio and rental fleet	21	3,128,601	3,385,341
Insurance expense		392,326	347,377
Depreciation other property, plant and equipment	8	50,803	62,679
Amortisation and impairment on intangibles	8	49,583	38,335
Share of profit in equity accounted investments	23	−6,182	5,520
Gain on sale of subsidiaries/associates	11	−409,481	−224,953
Financial instruments at fair value through profit and loss	16	−180,649	−71,668
Income tax expense		466,508	207,572
Changes in			
Provisions		−379,262	−329,615
Derivative financial instruments		−63,165	−60,687
Trade and other payables and other receivables		49,430	44,279
Inventories	18	265,746	153,244
Amounts received for disposal of objects under operating lease	21	2,350,723	2,604,328
Amounts paid for acquisition of objects under operating lease	21	−7,660,892	−7,256,129
Acquired new finance leases		−1,324,687	−1,440,006
Repayment finance leases		1,138,737	1,074,714
Income taxes received		10,898	20,659
Income taxes paid		−159,660	−109,679
Interest received		159,784	109,632
Interest paid		−326,646	−304,361
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**−368,256**	**−523,301**

See continuation of this table on the next page.

Consolidated statement of cash flows *continued*

for the year ended 31 December

In thousands of euros	Note	2022	2021
Investing activities			
Net investment in equity and debt securities		–1,028	–19,880
Loans provided to investments accounted for using the equity method	19	–	–101,500
Redemption on loans to investments accounted for using the equity method	19	89,500	258,011
Dividend received from associates and jointly controlled entities	23	9,807	4,694
Changes in held-for-sale investments		–	1,268
Proceeds from disposal of subsidiaries, net of cash disposed of EUR 135,908 (2021: EUR 95,940)	11	331,247	222,711
Proceeds from sale of other property and equipment	22	20,461	21,045
Acquisition of other property and equipment	22	–51,680	–43,914
Acquisition of intangible assets	24	–173,833	–160,459
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**224,474**	**181,976**
Financing activities			
Receipt from receivables from financial institutions		1,391,523	465,047
Balances deposited to financial institutions		–1,537,662	–468,891
Receipt of borrowings from financial institutions	12	3,105,679	3,236,378
Repayment of borrowings from financial institutions	12	–3,076,655	–3,312,800
Receipt of funds entrusted	12	6,546,597	3,832,859
Repayment of funds entrusted	12	–6,028,990	–2,710,683
Receipt of debt securities	12	2,615,371	3,256,535
Repayment of debt securities	12	–2,583,331	–3,573,233
Receipt of subordinated loans		1,890,368	–
Payment of lease liabilities		–41,594	–44,773
Dividends paid to company's shareholders		–372,432	–
Interest paid AT1 capital securities	35	–36,880	–36,880
NET CASH INFLOW FROM FINANCING ACTIVITIES		**1,871,994**	**643,557**
CASH AND BALANCES WITH BANKS AS AT 1 JANUARY		**5,862,200**	**5,557,401**
Net movement in cash and balances with banks		1,728,212	302,232
Exchange gains/(losses) on cash and balances at banks		1,041	2,566
CASH AND BALANCES WITH BANKS AS AT 31 DECEMBER	13	**7,591,453**	**5,862,200**

General notes

for the year ended 31 December

1 GENERAL INFORMATION

LeasePlan Corporation N.V.

LeasePlan Corporation N.V. (the 'company') is domiciled in Amsterdam, the Netherlands and is registered at the Commercial Register of Amsterdam under number 39037076, where its statutory seat is located. The address of its registered office is Gustav Mahlerlaan 360, 1082 ME Amsterdam. The consolidated financial statements of the company as at and for the year ended 31 December 2022 comprise the company and its subsidiaries (together referred to as the 'Group') and the Group's interest in investments accounted for using the equity method. The Group consists of an international network of companies engaged in fleet management and mobility services, mainly through operating leasing and car remarketing. At 31 December 2022, the Group employed over 7,800 people worldwide and had offices in 28 countries. Changes in the Group's composition during the reporting period were related to the sale of the United States subsidiary and the classification of the subsidiaries in Luxembourg, Finland and Czech Republic as held-for-sale (please refer to ***Note 11*** – Discontinued operations).

A list of the principal consolidated participating interests is included in the other information paragraph of the company financial statements.

The company has held a banking licence in the Netherlands since 1993 and it operates under the direct supervision of the European Central Bank.

Ownership of the company

On 21 March 2016 LP Group B.V. acquired 100% of the shares of the company from Global Mobility Holding B.V.

LP Group B.V. is the parent of the company and indirectly represents a group of long-term investors. None of these investors alone has a direct or indirect controlling interest in the company:

- **ADIA:** Since 1976, the Abu Dhabi Investment Authority (ADIA) has been prudently investing funds on behalf of the Government of Abu Dhabi, with a focus on long-term value creation. ADIA manages a global investment portfolio that is diversified across more than two dozen asset classes and sub categories, including quoted equities, fixed income, real estate, private equity, alternatives and infrastructure.
- **ATP:** ATP was established in 1964 and is Denmark's, and one of Europe's, largest pension funds.
- **ELQ Investors VIII Ltd:** the company's ultimate parent is the Goldman Sachs Group.
- **GIC:** GIC is a leading global investment firm with well over US$100 billion in assets under management. Established in 1981, the firm manages Singapore's foreign reserves and is positioned for long-term and flexible investments across a wide range of asset classes, including public equities, fixed income, real estate and private equity. In private equity, GIC invests through funds as well as directly in companies, partnering with fund managers and management teams to help businesses achieve their objectives.
- **PGGM:** PGGM is a cooperative Dutch pension fund service provider. Institutional clients are offered asset management, pension fund management, policy advice and management support. Either alone or together with strategic partners, PGGM develops innovative future provisions by linking together pension, care, housing and work.
- **TDR Capital:** TDR Capital LLP is a highly selective private equity firm with a track record of investing in businesses. TDR Capital LLP was founded in 2002 and currently manages funds totalling over EUR 13.0 billion on behalf of a range of sophisticated investors.

2 BASIS OF PREPARATION

Statement of compliance and restatements

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue by the Managing Board on 16 March 2023. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations as endorsed by the European Union (EU) and Part 9 of Book 2 of the Dutch Civil Code.

Functional and presentation currency

Items included in the financial statements of each of the Group companies are measured using the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in euro, which is the company's functional and presentation currency. Financial information presented in euro has been rounded to the nearest thousand, unless otherwise indicated. Due to rounding, numbers presented throughout these financial statements may not add up precisely to the totals provided.

Hyperinflation in Turkey

With the effect from April 2022 the Turkish economy is hyperinflationary. In accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies' starting at the beginning of the reporting period 1 January 2022, with respect to the consolidated position and result of the Group's Turkish subsidiary, the financial statements include restatements for changes in the general purchasing power of the Turkish lira to the measuring unit current at the reporting date. As the presentation currency of LeasePlan is a non-hyperinflationary currency, the comparative period has not been restated. The opening balance sheet position as per 1 January 2022 has been restated to the measuring unit current at the reporting date of 31 December 2022 with respect to the consolidated position and result of the Group's Turkish subsidiary. As LeasePlan Turkey holds a net monetary liability position in the balance sheet, the restatement resulted in an increase in equity of EUR 142 million as per 1 January 2022. The Group has made a policy decision to report the restatement effect on equity in a separate restatement reserve as part of the other reserves in other comprehensive income.

General notes *continued*

for the year ended 31 December

2 BASIS OF PREPARATION *continued*

LeasePlan Turkey has applied the consumer price index (CPI), as published by the Turkish Statistical Institute (TURKSTAT), as the measuring unit current. The development of the CPI in the current and previous reporting periods is as following:

	Dec-2019	Dec-2020	Dec-2021	Dec-2022
Conversion coefficient	440.5	504.8	687.0	1128.5
CPI (12 month)	12%	15%	36%	64%

The financial statements of the Turkish subsidiary are based on historical cost. Non-monetary assets and liabilities of the Turkish subsidiary are restated for the change in CPI from the date of acquisition or initial recognition of the balance sheet item to the end of the reporting period. As per 1 January 2020 the Turkish lira became the functional currency of the Turkish subsidiary and this revaluation date is applied as the earliest historical cost date. As non-monetary items have been restated to the CPI at the reporting date, revenue and cost of revenue related to non-monetary items in the statement of profit or loss are also recognised at the CPI at the end of the reporting period. Adjustments in the statement of profit or loss have been made to reflect the date of movements in the portfolio of lease contracts, inventory, rental fleet and vehicles available for lease and related tax amounts.

Monetary assets and liabilities of the Turkish subsidiary are indexed up at the beginning of the reporting period to reflect the higher purchasing power at the beginning of the reporting period compared to the end of the reporting period. The change in purchasing power is calculated by dividing the index at the reporting date by the index at the beginning of the reporting period. As the Turkish subsidiary has a net monetary liability position, a net monetary gain of EUR 66.1 million is recognised in the statement of profit or loss in 'Finance lease and other interest income'.

The net effect in the income statement of the indexation is a gain of EUR 35.2 million.

Significant judgements are made with respect to the application of the consumer price index as the most relevant current measuring unit current.

Use of estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The material estimates, assumptions and underlying data that management makes relate to the valuation and impairment of fixed assets from operating leases, including the residual values at the end of the contract date, impairment of finance lease receivables, valuation allowance of inventories (terminated cars on stock), defined benefit pensions obligations, the fair value of derivatives, the assessment of the income tax position and damage risk retention provision, the impairment of intangibles and goodwill, estimates in revenue recognition, the assessment of restructuring provisions and litigation provisions and customer price index related to hyperinflation. Information on the above-mentioned areas of estimation and judgement is provided in ***Note T*** – Critical accounting estimates, assumptions and judgements.

The estimates and underlying assumptions are reviewed each financial reporting period. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision, or in any future periods affected if the revision affects both current and future periods.

Disclosure of significant judgements and major sources of estimation uncertainty and related sensitivities is included in the specific notes to the statement of financial position.

Changes in accounting policies

During 2022 there have been no changes in accounting policies.

New and amended standards adopted by the Group effective as from 1 January 2022

The following new or revised standards, amendments and interpretations to published standards became effective as per 1 January 2022 (and are endorsed by the EU). The impacts of those standards for the Group are disclosed below. These standards have no impact on the opening balances as at 1 January 2022.

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework

The amendments are intended to update a reference to the Conceptual Framework without significantly changing the requirements of IFRS 3. Also the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and introduce a 'directly related cost approach'. These costs include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract and allocation of indirect overheads is no longer allowed.

General notes *continued*

for the year ended 31 December

2 BASIS OF PREPARATION *continued*

IAS 16 Property, Plant and Equipment

This amendment is not applicable to the Group.

Annual Improvements 2018-2020

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the International Accounting Standards Board has issued the Annual Improvements to IFRS Standards 2018-2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. These changes are not material for LeasePlan.

- IFRS 1 First-time Adoption of IFRS is not applicable to the Group.
- IFRS 9 amendment clarifies which fees to include in assessment of a modification.
- IAS 16 change, 'Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)', an illustrative example for lease incentives in the payments from the lessor relating to leasehold improvements.
- IAS 41 Agriculture is not applicable to the Group.

Most relevant new and amended standards issued that become effective after 1 January 2023

IFRS 17 Insurance Contracts

The Group will implement IFRS 17 Insurance Contracts (as issued by the IASB on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020). The standard will be effective after 1 January 2023 and is endorsed by the EU as per 19 November 2021.

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- A Contractual Service Margin (CSM) that defer any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e. coverage period).
- A simplified premium allocation approach may be applied for contracts that meet specific conditions. An important condition is that the coverage of the contracts does not exceed one year. The premium allocation approach is quite similar to current accounting under IFRS 4 for non-life products.
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income is based on the concept of services provided during the period.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense.
- Extensive disclosures will provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The Group has finalised assessing the impact on shareholders' equity and comprehensive income due to adoption of IFRS 17. Most of the insurance contracts have a coverage period of one year or less and therefore the Group opts to apply the premium allocation approach. The changes in revenue recognition and measurement of insurance liabilities under the new standard, such as requirements for initial recognition, discounting, risk adjustment and allocation of overhead expenses, have no significant impact on equity and comprehensive income.

Other changes

The following amendments to standards, endorsed by the EU, become effective after 1 January 2023. The changes relate to:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021).
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021).

The following amendments to standards are not yet endorsed by the EU and become effective after 1 January 2023. The changes relate to:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current (issued on 23 January 2020 and 15 July 2020). The IASB has issued an exposure draft to defer the effective date from 1 January 2023 to 1 January 2024.

These changes are not expected to have a significant impact on shareholders' equity or comprehensive income of the Group.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements, unless otherwise stated.

Note A – Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries.

Subsidiaries and business combinations

Subsidiaries are all companies (including special purpose companies) over which the Group has control. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are fully consolidated from the date on which control commences until the date on which control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured at the aggregate of the fair values at acquisition date of the assets transferred, the liabilities incurred to the former owners of the entity acquired and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the entity acquired either at fair value or at the non-controlling interest's proportionate share of the entity's net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the statement of profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognised in the statement of profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Accounting policies of acquired subsidiaries were changed to ensure consistency with the policies adopted by the Group.

Associates

Associates are those companies over which the Group has significant influence but no control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are reported in 'Investments accounted for using the equity method'. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

For the impairment of non-financial assets, reference is made to ***Note L*** – Impairment of tangible assets.

Joint arrangements

Investments in joint arrangements comprise joint operations or joint ventures, depending on the contractual rights and obligations of each investor. Currently the Group has no joint operations. Joint ventures are accounted for using the equity method and are reported in 'Investments accounted for using the equity method' similar to accounting for associates.

Special purpose companies

Special purpose companies are companies created to accomplish a narrow and well-defined objective, such as the securitisation of leased assets. The financial statements of special purpose companies are included in the Group's consolidated financial statements where the substance of the relationship is that the Group retains control and continues to be exposed to risks and rewards from the securitised leased assets. The Group uses various legal entities, which have been incorporated specifically for the Group's securitisation transactions. These companies are consolidated in the financial statements of the Group based on the substance of the relationship.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Note B – Foreign currency

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. At the end of the reporting period foreign currency monetary items are translated using the closing rates. Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value are translated using the exchange rate at the date when the fair value was measured.

Exchange differences on the settlement or translation of monetary items are recognised in the statement of profit or loss under the caption 'Finance lease and other interest income'. The exchange component on a non-monetary item is recognised in other comprehensive income when the gain or loss is also recognised in other comprehensive income. An exchange component on a non-monetary item is recognised in the statement of profit or loss when the gain or loss is also recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign operations

The results and financial position of all foreign operations (excluding the Turkish subsidiary) that have a functional currency different from the presentation currency are translated into euros (the presentation currency of the Group) as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

For the currency translation of the Turkish subsidiary refer to 'Hyperinflation in Turkey' in Basis of preparation.

Exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. Such translation differences are recognised in the translation reserve of equity. When a foreign operation is disposed of or sold, in part or in full, the relevant amount of this reserve is reclassified in the statement of profit or loss as part of the gain or loss on disposal or sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Note C – Financial assets and liabilities

Recognition

Purchases and sales of financial assets are recognised on settlement date, i.e. the date that a financial asset is received by or delivered to an entity. Loans are recognised when cash is advanced to the borrowers.

A financial liability is recognised when the Group becomes party to a contractual obligation to deliver cash or another financial instrument to another entity.

Derecognition

A financial asset is derecognised when and only when the contractual rights to receive cash flows expire or when the financial asset, together with all the risks and rewards of ownership, has been transferred.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and liability simultaneously.

Income and expenses are presented on a net basis only when permitted by IFRS.

Classification and measurement

Financial assets are initially recognised at fair value. Subsequent measurement of financial assets depends on the classification, driven by cash flow characteristics and the business model in which an asset is held. The classification categories are held at fair value through profit or loss (P&L), fair value through other comprehensive income (OCI) or amortised cost, and are determined at initial recognition.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Financial assets and financial liabilities at fair value through profit or loss

A financial asset or liability is classified as at fair value through profit or loss if the instrument is acquired principally for the purpose of selling in the short term or based on the contractual cash flow characteristics of the financial asset.

Investments in equity securities are categorised as fair value through profit or loss.

Derivatives are categorised as fair value through profit or loss. Reference is made to ***Note D*** – Derivative financial instruments and hedge accounting.

The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

LeasePlan categorises the inputs used in valuation techniques into three levels, which are defined as:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted market prices included within Level I. Level 2 inputs include but are not limited to inputs other than quoted prices that are observable for the asset or liability, such as:
  - interest rates and yield curves observable at commonly quoted intervals;
  - implied volatilities;
  - credit spreads.
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments in equity instruments that have a level 1 market observable valuation are valued applying market observable prices. Other equity investments without market observable prices are valued applying a level 3 valuation using financial information received from those entities. Reference is made to ***Note 38*** – Fair value of financial instruments.

Transaction costs on initial recognition are expensed as incurred.

Gains and losses arising from changes in the fair value of the 'Financial assets and financial liabilities at fair value through profit or loss' category are included in the statement of profit or loss in the period in which these gains and losses arise and are included in the caption 'Other income' in the statement of profit or loss. Gains and losses comprise of changes in the fair value and include any dividend income from equity instruments when the dividend has been declared.

Financial assets measured at amortised cost

Financial assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any impairment losses. Transaction costs (including qualifying fees and commissions) are part of the amortised cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The following financial assets are classified at amortised cost: cash and balances at central banks, receivables from financial institutions, investments in debt securities, loans to investments accounted for using the equity method and other receivables.

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value incurred and are subsequently measured at amortised cost. Any difference between the proceeds (transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the financial liability using the effective interest method.

The following financial liabilities are measured at amortised cost: borrowings from financial institutions, funds entrusted, debt securities issued, and certain items included in trade and other payables and deferred income (trade payables, interest payable). Transaction costs are included in amortised cost using the effective interest method.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Impairment of financial assets

The following debt instruments measured at amortised cost are in scope of the impairment requirements:

- Cash and balances at central banks
- Receivables from financial institutions
- Investments in debt securities
- Loans to investments accounted for using the equity method
- Other receivables
- Lease receivables from clients
- Loan commitments and financial guarantee contracts issued that are not measured at fair value through P&L

Lease receivables from clients, both finance lease receivables and operating lease receivables as included in trade receivables in scope of IFRS 16, are brought in scope of IFRS 9 impairments. Reference is made to ***Note E*** – Lease receivables from clients.

An expected credit loss (ECL) is recognised upon initial recognition of a financial asset and subsequently remeasured at each reporting date. ECL is calculated by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD):

- PD represents the likelihood of a counterparty defaulting on its financial obligations.
- LGD represents the Group's expectation of the extent of the loss on a defaulted exposure. LGD varies by type of counterparty and is expressed as a percentage loss per unit of exposure at the time of default.
- EAD is based on the expected exposure amount at the time of a default.

To measure the ECL based on the General Approach, assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-months expected credit losses

This stage includes financial assets that have not had a significant increase in credit risk since initial recognition and that are not credit impaired upon origination. For these financial assets, the expected credit losses that result from default events that are expected within 12 months after the reporting date are recognised. Interest revenue is recognised based on the gross carrying amount, that is, without deduction for expected credit losses.

Stage 2: Lifetime expected credit losses – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition of the financial asset but that are not credit impaired, a lifetime expected credit loss is recognised. Interest revenue is recognised based on the gross carrying amount, that is, without deduction for expected credit losses.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition. The Group uses both quantitative and qualitative information to determine if there is a significant increase in credit risk based on the characteristics of the financial asset. Quantitative information could be a decrease in credit rating below investment grade. Qualitative information is obtained from the monitoring of existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the debtor's ability to meet its obligations towards the Group. The Group applies a backstop of 30 days past due as an automatic trigger for significant increase in credit risk.

The Group has exposures to internal counterparties consisting of financial guarantees, loans to subsidiaries and loans to joint venture entities. As the credit risk is highly dependent on the financial performance of the underlying lease portfolios, these credit risk exposures are monitored following qualitative factors in assessing the significant increase in credit risk:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the entity's ability to meet its debt obligations towards LeasePlan Corporation; and
- an actual or expected significant (negative) change in the operating results of the entity.

In addition, the Group uses its internal credit rating scale to apply quantitative factors in assessing whether there is a significant increase in credit risk. The Group considers that credit risk has increased if the internal credit rating has significantly deteriorated at the reporting date relative to the original internal rating. If a significant increase in credit risk is identified, this triggers in general a transfer for all instruments in scope held with this counterparty from stage 1 to 2.

Stage 3: Lifetime expected credit losses – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a significant impact on the estimated future cash flows of that asset have occurred. Interest revenue is recognised based on the lower amortised cost, including expected credit losses.

The Group applies a forbearance policy based on European banking regulations from the Capital Requirements Directive IV and Capital Requirements Regulation and reported in the credit risk management section.

The Group identifies credit impaired assets under IFRS 9 by applying the definition of default used for credit risk management purposes that is based on the Regulatory framework. The Group defines a default as: a counterparty that is either unable to fulfil its obligations (defined as 'unlikely to pay', irrespective of the amount involved or the number of days outstanding), or when counterparties are past due on any material credit obligation for more than 90 consecutive days.

For credit impaired financial assets, interest is recognised in profit or loss based on the amortised cost (net of impairment allowance) rather than the gross carrying amount (gross of impairment allowances) which is the case for stage 1 and 2 assets.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Lease receivables from clients

Lease receivables consist of receivables under finance lease contracts and trade receivables, consisting of amounts invoiced for financial and operating lease receivables. For lease receivables, the Group elected to adopt an accounting policy choice to use the simplified approach, which means recognition of lifetime expected credit losses, irrespective of if a significant increase in credit risk has taken place.

The amount of ECL for lease receivables is measured at the contract level as the probability weighted present value of all cash shortfalls over the expected life of the financial asset discounted at the original implicit interest rate embedded in the lease contract. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive.

The Group determines the ECL for lease receivables based on the model used for regulatory capital purposes (see Credit risk measurement). This model is adapted to remove prudential conservatism and to include forward-looking macro-economic scenarios and multi-year forecast over the lifetime of the lease contracts.

PD, LGD and EAD forecasts are combined to produce the ECL estimate. As such, ECL is highly dependent on the credit quality of counterparties in the portfolio at the reporting date, the types and characteristics of vehicles in the portfolio, the expected maturities and repayment terms of the contracts, the forecasts of future macro-economic variables in various scenarios, the forecast market developments and residual values for used vehicles in various scenarios, and the probability weight assigned to each forecast scenario. The model is periodically updated and developed based on back-testing of previous forecasts.

Write-off

Where there are no reasonable expectations of recovering outstanding receivables that are considered credit-impaired, the gross carrying amount is reduced. Such a write-off constitutes a derecognition of the receivable and is in general recognised 12 months after the debtor is considered in default. The collection management and efforts to recover the asset may still be ongoing after the write-off.

Receivables from financial institutions

For receivables from financial institutions, the Group applies the General Approach using the low credit risk assumption. At each reporting date, the Group assesses the appropriateness of this exemption.

Investments in debt securities

The Group applies the General Approach using the low credit risk assumption for its investments in bonds and notes. At each reporting date, the Group assesses the appropriateness of this exemption.

Cash and balances at central banks

For deposits at central banks, the Group has assumed that there is no credit risk as central banks are guaranteed by governments with high credit ratings.

Loans to investments accounted for using the equity method

The Group applies the General Approach to loans to investments accounted for using the equity method.

Loan commitments and financial guarantees

Expected credit losses for loan commitments and financial guarantees are measured under the General Approach.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimated expected credit loss and the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Presentation

The amount of expected credit losses on financial assets is presented in the statement of financial position as a deduction from the gross carrying amount of the assets. Impairment losses recognised in the statement of profit or loss form part of the 'direct cost of revenues'.

Note D – Derivative financial instruments and hedge accounting

Derivatives are financial instruments, of which the value changes in response to underlying variables. Derivatives require little to no initial investment and are settled at a future date. Derivative financial instruments (derivatives) are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of currency and interest rate swaps is the estimated amount that the Group would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

LeasePlan categorises the inputs used in valuation techniques into three levels, which are defined as:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted market prices included within Level 1. Level 2 inputs include but are not limited to inputs other than quoted prices that are observable for the asset or liability, such as:
  - interest rates and yield curves observable at commonly quoted intervals;
  - implied volatilities;
  - credit spreads.
- Level 3 inputs are unobservable inputs for the asset or liability.

For swaps a valuation technique is used maximising the use of relevant observable inputs. The fair values of not-actively-traded instruments are calculated using a generally accepted discounted cash flow method, while considering relevant market observable data such as quoted forward prices and interest rates. As a result of LeasePlan having collateral agreements in place for all of its derivative counterparts, the requirement to reflect other observable market inputs such as CVA, DVA and FVA is eliminated, such that they are not included specifically in the calculations other than the use of an OIS curve for discounting purposes.

As disclosed in the risk paragraph derivatives are used from an economic perspective to mitigate the interest rate and currency exposures associated with the funding of lease contracts. The Group does not hold derivatives for trading purposes, although hedge accounting cannot always be applied.

Changes in the fair value of derivatives that are not designated as a hedging instrument in a cash flow hedge are recognised immediately in the statement of profit or loss in the caption 'Unrealised gains/losses on financial instruments'.

The Group applies cash flow hedge accounting and fair value hedge accounting.

Cash flow hedging

The Group hedges the exposure to variability in future interest payments on recognised floating rate bonds and notes issued and on highly probable forecast transactions (short-term rolling over liabilities) attributable to changes in underlying interest rates. In cash flow hedging, the hedged risks are future changes in cash flows stemming from anticipated repricing and/or roll-overs of borrowings due to interest rate movements. To apply highly effective cash flow hedges the forecast cash flows which are subject to a hedge must be 'highly probable'. Based on the Group's business activities and the financial/operational ability to carry out the transactions, the likelihood that forecast cash flows will take place is very high. These forecast cash flows are expected to occur and to affect the statement of profit or loss over the maturity of the loans. The Group applies cash flow hedging as an aggregate hedging of a similar group of assets/liabilities. A group of derivatives sharing the same characteristics is designated to the hedge with a group of borrowings with the same characteristics. These represent many-to-many hedge relationships.

For cash flow hedges, the potential reasons for ineffectiveness are mainly insufficient or excessive cash flows and timing of cash flows, or forecasted cash flows which are no longer highly probable. In order to establish a relationship between the hedge item(s) and hedging instrument(s), the Group will assess the total exposures on hedged item(s)(by currency, re-pricing tenor and maturity) against the hedging instrument(s), to ensure cash flows are equal and opposite.

When derivatives are designated as a hedging instrument in a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognised directly in the related hedging reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the statement of profit or loss in the caption 'Unrealised gains/losses on financial instruments'.

Amounts accumulated in other comprehensive income are recycled to the statement of profit or loss in the periods in which the forecast transaction in a hedge will affect the statement of profit or loss (i.e. when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income is recycled to the statement of profit or loss.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Fair value hedging

Fair value hedge accounting is applied in such a way that the changes in fair value of the recognised liability (issued note) attributable to the hedged interest rate and currency risk fully offsets the changes in fair value of the receive leg of the derivative transaction (interest rate swap or cross currency interest rate swap). The fair value change from the cash flows on the note and the receive leg of the swap are equal and opposite.

Fair value hedge accounting entails that the hedged item (i.e. the note) that is measured at amortised cost is adjusted for gains/losses attributable to the risk being hedged. This adjustment is booked in the statement of profit or loss in the caption 'Unrealised gains/(losses) on financial instruments', where it offsets the measurement of the fair value change of the hedging instrument that is also recorded in the statement of profit or loss.

As the hedging period always matches the period of lifetime of the note, the basis adjustments are fully reversed at maturity and no further amortisation of basis adjustments is necessary.

For fair value hedges, hedge ineffectiveness arises due to accounting mismatches and differences in fair values applied to the hedged item and hedging instruments, as well as different sensitivities to the changes in external market conditions. The Group uses regression testing for comparing the correlation between the hedged item and hedging instrument, in assessing hedge effectiveness.

Note E – Lease receivables from clients

This caption includes lease receivables from the finance lease portfolio and trade receivables. Trade receivables represent unpaid, current lessee receivables under existing (operating and finance lease) contracts or receivables related to inventory sales. The receivable balances are shown after any accumulated impairment losses and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

Reference is made to ***Note C*** for the impairment of Lease receivables from clients.

Finance lease receivables

Leases where substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases. The Group as a lessor records a finance lease receivable at the amount of its net investment which equals the present value of the future minimum lease payments receivable (including any guaranteed residual value by the lessee) and the unguaranteed residual value accruing to the Group, after any accumulated impairment losses. Unearned finance income is the difference between the gross investment in the lease and the net investment in the lease.

Over the lease term, the instalments charged to clients are apportioned between a reduction in the net investment in the lease and finance lease income. The finance lease income is calculated using the effective interest method.

Note F – (Non-current) assets held-for-sale and discontinued operations

A non-current asset or disposal group of assets is classified as held-for-sale when its carrying amount will be recovered principally through a sale transaction, whereby the expectation is that the sale will be completed within one year of the classification of assets or disposal groups as held-for-sale, subject to extension in certain circumstances.

On initial and subsequent classification as held-for-sale, (non-current) assets and disposal groups are recognised at the lower of the carrying amount and the fair value less costs to sell. Impairment losses on initial classification as held-for-sale are included in the statement of profit or loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier, and is presented in the balance sheet separately. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is restated as if the operation had been discontinued from the start of the comparative period.

Depreciation and amortisation of assets ceases, in line with accounting reporting standards, at the moment of initial classification as held-for-sale.

Note G – Intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill is recognised on acquisitions of subsidiaries. Goodwill represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill is measured at cost less any accumulated impairment losses. When the excess is negative (bargain purchase gain), it is recognised immediately in the statement of profit or loss.

Goodwill is allocated to cash generating units and is tested for impairment annually and whenever there is an indication that the unit may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The value in use is determined as the present value of forecasted cash flows of the cash generating units over an appropriate period that could be distributed to equity investors. This discounted cash-flow-to-equity valuation methodology is a commonly used methodology for valuation of financial institutions.

Impairment losses are charged to the statement of profit or loss and are not subsequently reversed. Gains and losses on the disposal of a company include the carrying amount of goodwill relating to the company sold.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Software

Capitalised software relates to internally developed software and to purchased software from third parties, or acquired as part of business combinations, for Group use. Expenditure on research activities undertaken to gain new technical knowledge and understanding is recognised in the statement of profit or loss when incurred. The capitalised cost of internally developed software includes all costs directly attributable to developing software and is amortised over its useful life. Capitalised internally developed and externally purchased software are measured at cost less accumulated amortisation and any accumulated impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. When subsequent expenditure is capitalised, the carrying value of the replaced part is derecognised. All other expenditure is expensed when incurred.

The estimated useful lives of software for the current and comparative period are between three and ten years.

Assets under construction

Assets under construction relates to the capitalisation of internally developed software and IT platforms that are not ready for use. Expenditure on development is recognised as an asset under construction when the Group can demonstrate its intention and ability to complete the development and use of the software in a manner that will generate future economic benefits and can measure the costs to complete the development.

Assets under construction are allocated to the cash generating units and are tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The value in use is determined as the present value of forecasted cash flows of the cash generating units over an appropriate period that could be distributed to equity investors. Assets under construction are not amortised.

Other intangible assets

Other intangible assets include customer relationship intangible assets, customer contract intangible assets acquired as part of business combinations and recognised separately from goodwill. Customer relationship intangible assets are amortised over 20 years and customer contracts are amortised over the remaining contract period (on average five years).

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

Amortisation

Intangible assets other than goodwill are amortised on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use. The estimated useful life for software is generally three to ten years. The capitalised intangible assets have no estimated residual value.

Note H – Other property and equipment

Measurement

Other property and equipment (including right-of-use assets) are measured at cost less accumulated depreciation and impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset.

Subsequent expenditure on property and equipment is recognised in the carrying amount of the item only when it increases the future economic benefits embodied in the specific asset to which it relates and its costs can be measured reliably. All other expenditure is expensed when incurred. The costs of the day-to-day servicing of property and equipment are recognised in the statement of profit or loss as incurred.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset is impaired, when the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's 'fair value less costs to sell' and 'value in use'. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in operating income in the statement of profit or loss during the year of disposal.

The Group recognised on the balance sheet the right-of-use asset and the lease liability. The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses over the contractual term. The right-of-use asset is adjusted for certain remeasurements of the lease liabilities. For impairment accounting policy please refer to ***Note L*** – Impairment of tangible assets.

The lease liabilities are initially measured at the present value of lease payments not yet paid at commencement date and are discounted using an incremental borrowing rate which varies per country within the Group. The liability is subsequently increased by the interest accretion to the lease liability and decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments or based on changes in assessment of execution of certain extension or termination options in the contracts.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Depreciation

The carrying amount of other property and equipment is depreciated to its estimated residual value and recognised in the statement of profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

The estimated useful lives for the current and comparative periods are as follows:

Property	30-50 years
Furniture and fixtures	3-12 years
Hardware	3-5 years
Company cars	3-4 years

Due to IFRS 16, the right-of-use assets are recognised and depreciated over the lease term, defined as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease.

Note I – Property and equipment under operating lease, rental fleet and vehicles available for lease

Lease classification

The lease classification is determined on a contract-by-contract basis, taking into consideration the substance of the transaction and the specific details of each lease contract. The key factor is if substantially all the risks and rewards incidental to ownership are transferred.

Various criteria are used to determine the lease classification of which the two most important are:

- whether the lease term is for the major part of the economic life of the asset; and
- whether the present value of minimum lease payments amounts to at least substantially all of the fair value of the asset.

Finance lease portfolio

Leases where substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases. Reference is made to ***Note E*** – Lease receivables from clients.

Operating lease portfolio

An operating lease is different from a finance lease and is classified as such if it does not transfer substantially all the risks and rewards incidental to ownership. The Group as a lessor presents the assets subject to operating leases in the balance sheet according to the nature of the asset.

The Group leases assets to its clients for durations that normally range between three to four years. In almost all cases, the leased assets are returned to the Group at the end of the contract term. In case of early termination in most of the cases there will be a settlement invoice and the risk is borne by the customer. There are two main types of operating leasing products offered:

(a) Closed calculation contracts

Closed calculation contracts are typically leasing contracts whereby the client is charged a fixed fee for the use of the asset over a period of time. At the end of the lease, the asset is normally returned to the Group and then sold in the second-hand car market. In case of normal termination, the overall risk on the result of the contract, both positive and negative, is borne by the Group.

(b) Open calculation contracts

Open calculation contracts are leasing contracts whereby the client, under particular circumstances, receives a portion of any positive result from the lease contract. The specifics of each contract can differ by country and/or by client. However, in most of these contracts, the result on service income and the sale of the leased asset at the end of the lease are combined and a net positive result is (partially) shared with the client. Most contracts contain certain requirements that the client must fulfil to receive (part of) the net positive result, such as maintaining a certain number of leased objects during the year or that a certain number of leased objects must be included in the calculation of the net result. Open calculation contracts are classified as operating leases based on the (negative) risks being borne by the Group.

Measurement

Property and equipment under operating lease and rental fleet are measured at cost less accumulated depreciation and impairment losses. Cost consists of the purchase price and directly attributable costs. The operating lease and rental fleet assets are depreciated on a straight-line basis over the estimated useful life (normally the contract period for operating leases) to their estimated residual value. The residual value and the useful life of the leased assets are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in accounting estimate (so-called prospective depreciation). Depreciation is recognised in the statement of profit or loss.

Depreciation is not applied to new vehicles available for lease when these vehicles are not in the condition to be leased to customers. This often applies to vehicles bought for signed lease contracts or vehicles bought with the intention to lease that are temporary stored and not ready to be used.

For the impairment accounting policy please refer to ***Note L*** – Impairment of tangible assets. The contract period ranges on average between three to four years. Upon termination of the lease or rental contract the relevant assets are reclassified to the caption 'Inventories' at their carrying amount.

The operating lease instalments are recognised in the financial statements on a straight-line basis over the lease term.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Note J – Inventories

Inventories are assets that are held-for-sale in the ordinary course of our business. Inventories are measured at the lower of cost and net realisable value. Upon termination of the lease or rental contract the relevant assets are reclassified from the caption 'Property and equipment under operating lease and rental fleet' to the caption 'Inventories' at their carrying amount. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses. Valuation allowances on inventories are included in 'direct cost of revenues'.

Note K – Other receivables and prepayments

Other receivables and prepayments include prepayments in respect of expenses attributable to a subsequent period plus amounts still to be received. These amounts are valued at cost. Reference is made to ***Note N*** – Provisions for reinsurance assets. For the ECL accounting policy please refer to ***Note C*** – Financial assets and liabilities.

Note L – Impairment of tangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's 'fair value less costs of disposal' and 'value in use'.

In the annual assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information.

If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined as the present value of the future cash flows expected to be derived from the cash generating unit.

The recoverable amount of lease contracts is determined as the value in use at customer contract level (cash-generating unit). As debt funding and interest payments are considered to be an essential element of the Group operating lease business the assessment of the value in use is performed based on a discounted cash-flow-to-equity model. This valuation methodology is a commonly used methodology for valuation of financial institutions.

To determine whether any right-of-use asset or assets categorised as other property and equipment should be impaired, the Group considers both external and internal impairment indicators. If such indicators exist, an analysis is performed to assess whether the carrying value of the cash generating unit exceeds the recoverable amount. The recoverable amount is determined as higher of the asset's or cash-generating unit's fair value less costs of disposals and its value in use. Abandoned office spaces, which are ready for lease and no longer used in operating, represent separate cash generating units and are tested for impairment separately.

Reversal of impairment

Any impairment loss on other non-financial assets is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Note M – Capital and dividends

Ordinary shares are classified as equity. Dividends are recognised as a liability in the balance sheet after approval of the profit distribution by the shareholders.

The proceeds of the issue of AT1 capital securities are available to LeasePlan in perpetuity and are undated, deeply subordinated, resettable and callable. As the payment of distributions is wholly discretionary, the proceeds received and interest coupon, net of tax, paid on them are recognised in equity. As there is no formal obligation to (re)pay the principal amount or to pay interest coupon, the capital securities are recognised as equity and the distributions paid on these instruments, as well as the transaction costs related to the issuance of the capital securities, are recognised directly in equity.

Note N – Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Damage risk retention

The provision for damage risk retention is a contract provision and includes provisions for insurance risk and own material damage provision. The risks included in the provision are those for motor third-party liability, legal defence, motor material damage and passenger indemnity.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Insurance contracts

Insurance contracts are accounted for in accordance with IFRS 4 'Insurance Contracts'. Under IFRS 4, the Group may continue its existing pre-IFRS accounting policies for insurance contracts provided that certain minimum requirements are met. In accordance with this standard, the Group continues to apply the existing non-uniform accounting policies that were applied prior to the adoption of IFRS-EU with certain modifications allowed by IFRS 4 for standards effective after adoption. As a result, specific methodologies applied may differ between the Group's operations as they may reflect local regulatory requirements and local practices for specific product features in these local markets.

Insurance contracts are contracts under which the Group accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. Contracts that have been classified as insurance at inception are not reclassified subsequently.

Insurance contracts are recognised when the contract is entered into and the premiums are due. The liability is derecognised when the contract expires, is discharged, is disposed or cancelled.

Non-life insurance contract provisions generally include reserves for unearned premiums and outstanding claims and benefits. The reserve for unearned premiums includes premiums received for risks that have not yet expired and inadequate premium levels. Generally, the reserve is released over the coverage period of the premium and is recognised as premium income.

The liability for outstanding claims and benefits is established for all reported claims and damages that have not been settled and any related cash flows, such as claims handling costs. It includes claims that have been incurred but have not been reported (IBNR) to the Group. The liability is calculated at the reporting date using statistical methods based on empirical data and current assumptions to settle all claims, including related internal and external damages handling expenses. The liability may include a prudential margin. Liabilities for claims subject to periodic payment are calculated using actuarial methods consistent with those applied to life insurance contracts. Discounting is applied if allowed by the local accounting principles used to measure the insurance liabilities. Discounting of liabilities at a risk-free rate of interest is generally applied where there is a particularly long period from incident to damage settlement.

The adequacy of the insurance liabilities is evaluated at each reporting period at the level of the individual claims by each subsidiary based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligations resulting from the insurance contracts based on current assumptions.

Reinsurance assets

Reinsurance assets are balances due from reinsurance companies for ceded insurance liabilities. These balances are not offset against the related insurance liabilities and are separately reported as part of 'Other receivables and prepayments'. Reinsurance contracts are contracts entered into by the Group to receive compensation for claims/benefits incurred on contracts written by the Group (outgoing reinsurance). For contracts transferring sufficient insurance risk, a reinsurance asset is recognised for the expected future benefits, less expected future reinsurance premiums. Reinsurance contracts with insufficient insurance risk transfer are accounted for as investments or service contracts, depending on the nature of the agreement.

Reinsurance assets are measured consistently with the assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. The insurance premiums for the original contracts are presented gross of reinsurance premiums paid in the consolidated statement of profit or loss. Reinsurance contracts are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Quarterly the Group assesses whether its amounts recoverable under a reinsurance contract are subject to impairment. The focus of the test is credit risk, which arises from the risk of default by the reinsurer and from disputes regarding coverage. Reinsurance assets are impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that not all amounts due under the terms of the contract may be received. In such a case, the value of the reinsurance asset recoverable is determined based on the best estimate of future cash flows, taking into consideration the reinsurer's current and expected future financial conditions plus any collateral held in trust for the Group's benefit. The carrying value is reduced to this calculated recoverable value, and the impairment loss recognised in the statement of profit or loss.

Post-employment benefits

Group companies operate various employee benefit schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has defined benefit and defined contribution pension plans as well as other post-employment benefits.

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate company. The Group has no further payment obligations once the pension contributions have been paid. Contributions to defined contribution pension plans are recognised as expenses in the statement of profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Defined benefit pension plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods. The present value of the defined benefit obligation is calculated using the projected unit credit method. The benefit is discounted at the yield at the balance sheet date on high quality corporate bonds denominated in the currency in which the benefits will be paid.

The net benefit obligation recognised in the balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. For determining the pension expense, the expected return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Actuarial gains and losses from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise without recycling to the statement of profit or loss. Past service costs are recognised in the statement of profit or loss when due.

Settlements and curtailments invoke immediate recognition in the statement of profit or loss of the consequent change in the present value of the defined benefit obligations and in the market value of the plan assets. A settlement is an early termination of all or part of the defined benefit obligation. A curtailment occurs when the company is demonstrably committed to materially reducing the number of employees in the defined benefit plan or the pension benefits for future services.

Other provisions

Other provisions include amounts for other long-term employment benefit plans, termination benefits, litigations, ECL for financial guarantees, restructuring as well as onerous contracts. These provisions have been estimated based on the best estimate of expenditure required to settle the present obligation at the reporting date considering risks and uncertainties and the effect of time value of money. For ECL on financial guarantees see ***Note C*** – Financial assets and liabilities.

Some Group companies provide other post-employment benefits to their employees based on local legal requirements. These benefits mainly comprise termination indemnities which are either payable at retirement age or if the employee leaves. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for restructuring that are within the scope of IAS 37 and involve the payment of termination benefits. In the event when an offer is made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Regarding onerous contracts, the present obligation under a contract that is onerous is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Note O – Trade and other payables and deferred income

Other liabilities

The Group recognises a liability and an expense for variable remuneration to employees based on a comparison made at the end of the year between the criteria applied for granting variable remuneration and an assessment of the relevant performance. The Group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

The variable remuneration award for the Identified Staff consists of a direct payment in cash and a deferred payment in cash and Phantom Share Units (PSUs). The PSUs represent the underlying value of the company shares which entitle the participant to a payment in cash after a specified period and are recognised as a cash-settled share-based payment arrangement. The PSU part of the deferred award is revalued annually by estimating the company's equity value for determining the fair value of the outstanding PSU awards. Liabilities recognised for PSUs are measured at the estimated fair value. This fair value is established once a year by the (Remuneration Committee of the) Supervisory Board and is based on comparing financial performance of the company to publicly available valuation and financial performance of a selected peer group of comparable companies. All changes to the PSUs' liabilities are recognised in the statement of profit or loss under staff expenses.

Note P – Revenues and direct cost of revenues

Revenues

Revenues represent the fair value of the consideration received or receivable for the sale of goods and services in the Group's ordinary course of business.

Operating lease income

Leasing income from operating lease instalments is recognised on a straight-line basis over the lease term, based on the total of the contractual payments divided by the number of months of the lease term.

Charges to clients may include passed on costs such as fuel, road taxes and other taxes which do not represent the inflow of economic benefits and/or are collected on behalf of third parties and are therefore not presented as revenues.

Finance lease & other interest income

Interest income from finance lease contracts is recognised using the effective interest method. Payments collected from the lease are allocated between reducing the net investment in the lease and recognising interest income.

Other interest income mainly includes income from interest-bearing assets, which is recognised using the effective interest method.

Additional services income

Additional services include fees charged for fleet management services, repair & maintenance services, rental activities and damage & insurance services.

Fleet management & other services

Revenue from fleet management services is recognised on a straight-line basis over the term of the fleet management agreement.

Repair & maintenance services

Income related to repair & maintenance services is recognised over the term of the lease contract. The allocation of income over the term is based on the normal repair and maintenance cost profile supported by historical statistics and expected service costs. The difference between the amounts charged to clients and amounts recognised as income is accounted for as deferred leasing income. Cost profiles are reviewed periodically to ensure they remain a fair representation of historical repair and maintenance expenditures, adjusted for reasonable expectations of changes in cost profiles.

If income related to services surrounding open calculation contracts is not certain until final settlement takes place, this income is not recognised until that time and is presented within the sales result. For open calculation contracts, expected losses are recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenues.

Rental

Rental revenues are recognised on a straight-line basis over the term of the rental agreement.

Damage & insurance services

The revenue from the risk retention schemes is recognised based on the monthly lease instalment. This applies for third-party liability and own damage insurance products. Revenue recognition will cease when the contract is terminated by a client or at the end of the contractual term.

Lease incentives

Amounts paid or value provided to lessees as lease incentives are capitalised. Lease incentives are amortised on a straight-line basis over the term of the related lease as a reduction in revenue.

Profit/loss on disposal of vehicles and End of contract fees

Vehicle sales revenue includes the proceeds of the sale of vehicles from terminated lease contracts. The proceeds from the sale of vehicles are recognised when the objects are sold and control of the vehicles is transferred. End of contract fees may consist of fees charged to clients for mileage variation adjustments and excessive wear and tear of the vehicle.
In revenues are also included charges arising from deviations from the contractual terms. The fees are recognised upon termination of the lease contract.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Payment deferral

The changes in lease and service contracts are accounted for as a change in estimate with prospective adjustment of revenue. When terms of a contract are substantially modified the original contract is derecognised and a new contract is recognised. A modification in service contracts is recognised as an adjustment to revenue as from the date of the contract modification. Prospective revenue and related service income accruals are adjusted. Non substantial modifications in finance lease contracts are recognised as change in net present value of the finance lease receivable.

Direct cost of revenues

Direct cost of revenues comprises the cost associated with providing the above-mentioned service components of the lease instalment. Any (volume related) bonuses related to these expenses are credited directly to expenses. Bonuses received on purchases of objects for operating lease contracts are deducted from the purchase consideration and as such result in lower depreciation. Bonuses received on purchases of objects for finance lease contracts are recognised immediately in the statement of profit or loss.

Cost of revenues also includes the carrying amount of the sold vehicles and the costs associated with the rental activities, finance costs for interest-bearing liabilities, impairment charges on loans and receivables and unrealised (gains)/losses on financial instruments.

Finance cost

Finance cost consists of interest expenses and similar charges for interest-bearing liabilities (including interest expenses on lease liabilities) and is recognised in the statement of profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Note Q – Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax is the expected income tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to income tax payable or receivable in respect of previous years.

Current income tax assets and current income tax liabilities are only offset if there is a legally enforceable right to offset the recognised amounts and if a subsidiary intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is recognised, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and providing for unused tax losses and unused tax credits.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered. Deferred tax assets are reviewed two times per year and reduced to the extent that it is no longer probable that the related income tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to offset the tax assets against tax liabilities relating to income taxes levied by the same taxation authority on either the same taxable company or different taxable companies which intend either to settle current income tax assets and liabilities on a net basis, or to realise the asset and to settle the liabilities simultaneously (often within one fiscal unity).

Note R – Statement of cash flows

The consolidated statement of cash flows has been drawn up in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. Changes in balance sheet items that have not resulted in cash flows have been eliminated in preparing this statement.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Operating cash flows

Operating cash flows comprise all cash flows during the period that do not qualify as either investing cash flows or financing cash flows. In the net cash flow from operating activities, the result before profit is adjusted for those items in the statement of profit or loss and changes in balance sheet items, which do not result in actual cash flows during the year. As the main operating activity of the Group is to provide operating and finance leases, cash payments to acquire underlying assets under operating lease and finance lease are classified as an operating activity. A similar approach is followed for interest received and interest paid, even though these arise on financing balances.

Investing cash flows

Investing activities include cash flows with respect to acquisition and sale of assets under other property and equipment, intangible assets and other long-term assets. Investing activities also include cash flows relating to acquisition, disposal and dividend of equity interests in investments accounted for using the equity method and held-for-sale investments.

Finance cash flows

Finance cash flows include cash flows relating to obtaining, servicing and redeeming sources of finance, but exclude interest received and interest paid as these are included in the operating cash flows. The sources of finance include amounts borrowed from financial institutions and dividends paid. The cash flows related to LeasePlan Bank are included in the cash flow of funds entrusted on a net basis. Next to the cash flows relating to the sources of finance, the cash flows relating to balances deposited to financial institutions are included in the finance cash flows, even though these arise from investing activities.

Cash and balances with banks

Cash and balances with central banks are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The short-term characteristic of a cash equivalent is generally taken as a term of three months or less from the date of acquisition. The balance includes cash, central bank deposits, call money and cash at banks. Bank overdrafts and call money that are repayable on demand are included in the cash flows with respect to borrowings from financial institutions.

Note S – Segment reporting

Segment reporting is based on the internal reporting to the Group's Managing Board (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assesses the performance of the reportable segments. The segment disclosure is included in ***Note 3***.

The segment information is presented in the consolidated financial statements in respect of the Group's leasing activities in two geographical segments distinguished by management: Europe and Rest of the world. Leasing activities comprise the main activity of the Group which is providing leasing and fleet management services including the purchase, financing, insurance, maintenance and remarketing of vehicles, to external customers. The Group offers a mono-line product through all its subsidiaries.

The performance of the segments is measured based on the combination of IFRS and Alternative Performance Measures, such as serviced fleet, revenue and underlying net result. The Alternative Performance Measures are obtained from the internal system of management accounting. All relevant revenues and related costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities, are allocated to the primary segments.

Inter-segment sales are eliminated at a consolidated level. The revenue from external parties is measured in the same way as in the statement of profit or loss.

In the segment information transactions between LeasePlan and discontinued operations are presented in continued operations before intercompany eliminations if LeasePlan continues significant transactions with discontinued operations after disposal. Intercompany transactions are eliminated in discontinued operations.

If LeasePlan does not continue significant transactions with discontinued operations after disposal, intercompany transactions are eliminated in both continuing and discontinued operations and external revenues and expenses are presented in discontinued operations.

Note T – Critical accounting estimates, assumptions and judgements

Preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

The estimates and assumptions are updated in case of significant impacts, such as global crisis (for instance the Ukraine-Russia war) and the key sources of estimation uncertainty are investigated in more depth in the specific notes to the statement of financial position.

Assumptions and estimation uncertainties at 31 December 2022 include, but are not limited to, the following areas:

Impairment of goodwill and intangible assets, including intangible assets under construction

Determining whether goodwill or intangible assets are impaired requires an estimation of the value in use of the groups of cash generating units to which the goodwill and intangible assets have been allocated. The key assumptions calculating the value in use are those regarding discount rates, growth rates and other expected changes in cash flows. The estimates and assumptions used are disclosed in ***Note 24*** of the consolidated financial statements of the company.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Review of depreciable amount, residual value and depreciation period of (leased) assets

The basis for the depreciation of an operating lease contract and rental contracts is the investment value at cost less the estimated residual value as included in the contract, in combination with the estimated contract duration. A change in the estimated residual value and/or contract duration leads to a change in depreciation that has an effect in the current period and/or in subsequent periods.

Statistical models and calculations (regression analysis) are used to calculate a vehicle's future value as accurately as possible. The Group has an advanced management information system that closely monitors changes in the contractual residual values used in lease contracts. The existing residual value risks are also periodically assessed at a portfolio level.

Impairment losses on property and equipment under operating lease

In the quarterly assessment of whether there is any indication that an asset may be impaired, the Group considers both external as well as internal sources of information. If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use. The value in use is determined as the present value of the future cash flows expected to be derived from the cash generating unit. Important input is the expected residual value of the assets under operating leases.

Impairment of right-of-use assets and other property and equipment

The recoverable amount of right-of-use assets or assets categorised as other property and equipment is determined as the value in use of each cash generating unit. The value in use is determined as the present value of the future cash flows expected to be derived from the cash generating units. The estimates and assumptions used are disclosed in ***Note 22*** of the consolidated financial statements of the company.

Impairment losses on (lease) receivables

The measurement of the ECL allowance for financial assets is an area that requires the use of complex models and significant assumptions and data about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Judgement is required from management for applying appropriate models and setting assumptions for the measurement of ECL.

The methodology, assumptions and data, including any forecasts of future economic conditions, are reviewed regularly by management.

Details about the assumptions and estimation techniques used in measuring ECL for finance lease receivables and trade receivables from operating lease contracts are provided in the section Credit risk management.

The impairment models are subject to annual review to ensure they remain current and fit for purpose and the use and performance continue to meet the Group's standards. In case of significant changes, external model validation is performed.

Post-employment benefits

The actuarial valuation of post-employment benefits and other long-term employee benefits is based on assumptions regarding inflation, discount rates, expected return on plan assets, salary rises and mortality rates. The assumptions may differ from the actual data because of changes in economic and market conditions.

Damage risk retention

The damage risk retention provision is based on estimations with respect to reported and incurred but not reported claims. Techniques applied are statistical modelling based on empirical data and assumptions on future claim development, policyholder behaviour and inflation. The assumptions may differ from the actual data as a result of changes in economic and market conditions.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Estimates are required in determining the worldwide current and deferred tax positions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. LeasePlan assumes in the estimates that all tax positions that are not yet final will be examined by tax authorities, that have all relevant information available. The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are analysed and will impact the income tax and deferred tax provisions in the year in which such determination is made.

Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has mainly used discounted cash flow analysis for calculating the fair value of the derivatives.

Revenue recognition

Income related to lease services is recognised over the term of the contract based on historical statistics and on assumptions regarding expected service costs. The assumptions may differ from the actual data as a result of changes in economic and market conditions and are periodically back tested and adjusted if considered necessary. For details in relation to the accounting of revenue recognition, please refer to ***Note P***.

Other provisions

For litigation, when there is a legal or constructive obligation and it is more likely than not that there will be an outflow of benefits which can be measured reliably, the best estimate of the future outflow of resources has been recognised. In extremely rare situations that no reliable estimate can be made yet on claims expected, no provision is recognised in the balance sheet but information about a contingent liability is disclosed.

Risk management

All amounts are in thousands of euros, unless stated otherwise

A. Risk approach

LeasePlan, 'the Group', is committed to ensuring regulatory compliance and maintaining a risk profile within the set risk appetite, which is performed by challenging and assisting the business and promoting risk awareness at all levels within the Group. As part of our risk taxonomy, the Group recognises twelve broad categories of key risks: asset risk, treasury risk, credit risk, motor insurance risk, operational risk, information risk, strategic risk, legal risk, compliance risk, HR risk, reliable reporting risk and change failure risk. For further information on risk approach please refer to 'Risk management' section under 'Business' of this Annual Report.

This section of the financial statements describes the Group's approach to the risk management objectives and organisation in general, as well as the Group's policy, appetite and measurement of its risks.

B. Capital management

The primary objective of our capital management strategy is to ensure that capital adequacy requirements are always met and that sufficient capital is available to support the Group's strategy. A financial institution is expected to enhance the link between its risk profile, risk management and risk mitigation systems and its capital. The main principle is that a banking institution assesses the adequacy of its available capital in view of the risks to which it is exposed. The Group's capital management consists of internal quantification of risk capital associated with its business activities, capital planning and monitoring of developments in exposures and capital adequacy ratios, based on targets set during the annual Internal Capital Adequacy Assessment Process (ICAAP).

Internal Risk Capital is the Group's internal quantification of risk capital associated with our business activities. This internal capital is considered the cushion that provides protection against the various risks inherent in our business, to maintain our financial integrity and remain a going concern even in the event of a near-catastrophic 'worst-case' scenario. It is calculated in such a way that we as a minimum can absorb unexpected losses up to a level of confidence as defined by regulatory requirements. The calculation of Internal Risk Capital is not bound by accounting and/or regulatory rules which allows for a better alignment between our risk profile and capital levels.

Capital adequacy

LeasePlan being a significant institution is under the supervision of the European Central Bank (ECB). The Group reports its capital metrics and risk exposures in accordance with Capital Requirements Regulation (Regulation No 575/2013), comparing the Group's eligible regulatory capital with its risk-weighted assets for credit risk, operational risk and market risk. Furthermore, banking institutions are required to assess the adequacy of available capital in view of the risks to which they are exposed. The periodic process in achieving this objective is referred to as ICAAP.

Capital planning

Based on the strategic planning process, a forecast of the regulatory Common Equity Tier 1 (CET1) and Total Capital (TC) ratio is prepared. The projections of the CET1 and TC ratios are performed to ensure ongoing compliance with the minimum requirements set by the ECB. Next to the projections of the CET1 and TC ratio, a forecast of the development of the minimum requirement is made which takes into account the requirements of the ECB; based on the latest estimates the Group will remain above the minimum CET1 and TC requirement.

The Contingency Plan (CP) is an important element within the capital risk management framework and sets out the strategies for addressing stress on both capital and liquidity in emergency situations (tactical level). The CP enforces readiness of the Group's organisation to deal with events of severe stress originated from both company specific and market-wide events. The CP ensures that contingencies are in place when necessary to ensure the Group will meet the capital requirements on a continuous basis, such as issuance of additional capital instruments or adjusting dividend levels.

Primary objective of the CP is to ensure both awareness and readiness in the organisation with respect to the ability of the Group to deal with unexpected deterioration of its capital adequacy. The CP sets the framework for managing the risk of a loss of confidence due to existing or expected capital adequacy issues. To that end, the CP sets the crisis governance to discuss and implement pre-emptive and corrective actions that could be undertaken to prevent or mitigate a capital adequacy confidence threat and to prepare for capital restoration in case of a weakening capital position.

The CP strengthens and broadens the scope of the monitoring processes of the capital and liquidity adequacy of the Group and ensures immediate reporting of any irregularities in capital and liquidity ratios. The capital position is monitored and reported monthly. LeasePlan has identified Recovery Plan Indicators (RPIs) and Early Warning Indicators (EWIs) to assist in the timely identification of potential financial stress, allowing management to implement mitigating actions in a timely manner. Among others, they include the deterioration of the CET1 ratio and a credit rating downgrade. EWI are to serve as warning signals following specific internal and external developments.

Total risk exposure amount (TREA)

To determine risk-weighting, the Group applies the Advanced Internal Ratings Based (AIRB) approach for the corporate lease portfolio and trade receivables, and for the retail portfolios and trade receivables in the United Kingdom and the Netherlands. For the exposures related to governments, banks and other retail clients, the Group applies the Standardised Approach of the CRR/CRD IV framework.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

B. Capital management *continued*

Eligible capital

The Group's eligible regulatory capital consists of CET1 capital and AT1 instruments which can be bridged to IFRS equity. The following table illustrates this reconciliation.

As at 31 December	2022	2021
TOTAL IFRS EQUITY	**5,568,210**	**4,779,892**
Results for the year	- 1,898,512	- 980,535
Interim dividend declared	585,593	336,684
AT1 capital securities	- 497,937	- 497,937
TOTAL IFRS EQUITY EXCLUDING RESULTS, INTERIM DIVIDEND PAID AND AT1 CAPITAL SECURITIES	**3,757,355**	**3,638,104**
Eligible results for the year	79,970	35,000
Regulatory adjustments	- 349,904	- 389,538
COMMON EQUITY TIER 1 CAPITAL	**3,487,421**	**3,283,567**
Additional Tier 1 capital	494,575	494,575
TOTAL CAPITAL	**3,981,996**	**3,778,142**

Based on EU endorsed frameworks for Basel III (CRR/CRD IV), the Group's CET1 ratio[1] and Total Capital ratio[2] as at 31 December is as follows:

As at 31 December	2022	2021
Total risk exposure amount	22,412,302	22,488,601
Common Equity Tier 1 capital	3,487,421	3,283,567
COMMON EQUITY TIER 1 RATIO	**15.6%**	**14.6%**
Total Capital	3,981,996	3,778,142
TOTAL CAPITAL RATIO	**17.8%**	**16.8%**

[1] *CET1 and TC ratio are presented on a sub consolidated basis.*
[2] *For LeasePlan the Total Capital is equal to the Tier1 Capital and the Total Capital ratio is equal to the Total Tier1 ratio.*

The Group analyses the development in risk exposures and in eligible capital; stress testing is an important part of this analysis. Developments in risk exposures typically represent relative movements in the lease portfolio, whereas eligible capital normally grows with retained profits.

Based on the 2022 ICAAP, the Group concludes that it is sufficiently capitalised and resilient to future plausible stress situations. This conclusion is based on the Group's capital assessment methodologies.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

C. Risk management framework

The risk charter defines the Group's governance and decision framework (delegated authorities and mandates) for both financial and non-financial risks. The Group has the following risk governance in place through its Group entities:

Supervisory Board

The Supervisory Board of the Group supervises the direction pursued by the Managing Board of the Group and the general course of affairs. The risk strategy, risk appetite and risk policy for the medium and long term are discussed once a year. The Supervisory Board approves any material changes to the risk strategy, risk appetite and risk policy. The (Risk Committee of the) Supervisory Board is authorised to decide on credit acceptance and renewal above limits as set out in the Regulations for the (Risk Committee of the) Supervisory Board.

The Supervisory Board has a Selection and Appointment Committee, a Remuneration Committee, an Audit Committee, a Risk Committee and a Digital Committee. The Risk Committee's role is to review the Group's risk appetite and to monitor performance of key risk indicators against the targets and tolerance levels set to support the Supervisory Board's supervision of risk management.

Managing Board

The Managing Board is responsible for the risk strategy and risk management systems and controls. It is also responsible for defining the risk appetite and approving the overall risk management framework. Within the Managing Board of the Group, the Chief Risk Officer (CRO) is responsible for the management and control of risk on a consolidated level, to ensure that the Group's risk profile is consistent with risk appetite and risk tolerance levels. The CRO and the Chief Risk Manager can independently decide to escalate risk related issues to the chairman of the Risk Committee of the Supervisory Board.

Risk committees

All risk related decisions, except for the risk matters that are subject to approval from the Supervisory Board, are within the power of the Managing Board. To support decision-making on risk matters, the Managing Board is supported by the Executive Committee and several risk committees.

The Group Risk Committee (GRC) is the dedicated risk committee of the Managing Board. The GRC discusses and oversees all risk-related topics and matters. The GRC consists of all members of the Managing Board and certain non-voting attendees, and is chaired by the Chief Risk Officer.

The GRC delegates certain authorities to subcommittees such as the Asset Management Committee, Climate & Environmental Committee, Combined Risk and Pricing Committee, Group Model Risk Committee, Motor Insurance Governance Committee, Insurance Risk Review Committee, IT Risk Committee and Entity Risk Committee.

For these committees, separate terms of reference are specified. The committees report their decisions, main observations and deliberations back to the GRC by means of sending the minutes once approved. The chairs of the delegated committees can independently escalate matters of their committee to the GRC.

D. Risks

Asset risk

Asset risk definition

The Group defines asset risk as the risk of potential losses related to decline of residual value (RV) and higher than estimated costs on repair, maintenance and tyre replacement (RMT) services. RV risk is considered the main risk and is defined as the Group's exposure to potential losses due to the (expected) market values of assets falling short of the book values. For residual value risk the Group also makes the distinction between market risks that are related to developments in the used-car market and non-market risks that do not directly relate to market development. The asset risk related to RMT services is the Group's exposure to potential loss due to the total actual costs of the, repair, maintenance and tyre replacement services over the entire life of the contract exceeding the total amount budgeted.

Asset risk management policy

The Group has a policy in place with respect to asset risk management, based on principles developed under its Risk Charter. The policy describes, inter alia, the roles and responsibilities of the first and second lines of defence with respect to asset risk management, the minimum standards for the management and mitigation of both risks related to the RV market and non-market related risks. The asset risk management policy is applicable to all leasing companies in the Group and focuses on all leases that may expose the Group to market risk of used vehicles and/or repair, maintenance and tyre risk.

Furthermore, this policy describes the risk appetite structure for both the Group as a whole as well as the leasing companies within the Group. This structure includes triggers and limits for market risk taking as well as portfolio composition.

Asset risk management structure and organisation

As part of the Risk Decision Framework, all Group companies have established a local risk management committee, chaired by the local risk director in which the local management team as well as all other relevant disciplines involved in asset (risk) management are represented. This committee has the responsibility of overseeing the adequate management of asset risks on behalf of the local management team. This includes but is not limited to reporting on asset risk measurements and trends in risk mitigation, market prices of used vehicles and vehicle repair, maintenance and tyre replacement results.

The local committee assesses asset risk exposure by taking into account both internal influences and external influences (e.g. supply and demand) and, based on its assessment, will decide on the use of appropriate market prices of used vehicles and repair, maintenance and tyre cost estimates and risk mitigating measures to be applied in risk management. The local committees can also decide on the limits regarding commercial price adjustments.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Technical valuation and price setting of vehicles, and repair, maintenance and tyre replacement is either directly overseen by the local risk committees or delegated on an operational level to a local technical pricing committee (TPC). In the latter case, the local risk committee will retrospectively sign off on technical pricing of RVs. The TPC defines the technical pricing of RVs for all individual makes, models and types and develops and maintains adequate matrices for the pricing of RVs. Termination result analysis distinguishes internal and external influences in a quantified manner. The vehicle pricing is based on a combination of historical actual costs, statistical analysis and external car market pricing benchmarking and is combined with expert judgement. Finally, external benchmarks are used in many countries as an additional point of reference and expert judgements are applied to challenge the outcome of statistical analysis and to overcome any shortcomings therein.

The Group has also established an Asset Management Committee (AMC), which is a delegated committee of the Group Risk Committee. This committee oversees the Group's asset (risk) management practice by preparing Group-level policies, KPIs/KRIs and risk appetite boundaries, by monitoring adherence to policies and boundaries, by monitoring overall market developments, and by providing guidance on technical and contract RV setting.

To support the effective implementation of policies and asset (risk) management practices into the business, and to provide central guidance and steering on key topics, the Group has established dedicated central asset (risk) management functions in both the first and second line. These functions work closely with their local first and second line counterparts and provide consolidated reporting on key developments in the portfolio, the market and the effectiveness of the Group's asset (risk) management practices to the AMC, GRC, ExCo and SB.

Asset risk management

The Group has several risk-mitigating measures in place to manage and mitigate the exposure to non-market residual value risk. These measures allow the Group to adjust its pricing of contracts to compensate for the effects of (interim) deviations from the contractual mileage and duration terms by customers or allow for charging of fees to compensate for excessive wear and tear to the vehicle and excess mileages at contract-end. These measures therefore mitigate the asset risk associated with deviations from the original contract terms.

The effects of the potential negative developments in the used-car market are partially mitigated by the multi-channel approach, which allows further diversifications and optimisation of the revenues generated from the sale of second-hand cars.

On a monthly basis, the Group assesses its exposure to asset risk and evaluates the outcomes against its risk appetite. This assessment also determines the amount of capital that is required as a buffer against residual value market risks.

Furthermore, the Group's local leasing companies also assess the exposures and expected results on their local lease portfolio for future years using a globally harmonised methodology, assessing the current contracted portfolio against latest expectations regarding future market prices, as well as a number of alternative scenarios.

Using the outcomes of these local assessments as a base, the Group re-assesses the valuation of the portfolio and on a quarterly basis determines whether any impairment and/or prospective depreciation must be applied to the portfolio.

Asset risk exposure

The Group is currently exposed to residual value risk in 28 countries. This geographical diversification, in conjunction with being an independent multi-brand company with a well-diversified brand portfolio, also partly mitigates the risk related to residual values.

The Group's residual value position in relation to the total operational lease assets can be illustrated as follows:

	2022	**2021**
Residual value	14,338,965	13,748,227

Treasury risk

Treasury risk definition

Treasury risk consists of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that LeasePlan is unable to efficiently meet both expected and unexpected current and future cash flows, without affecting either daily operations or its financial condition. Interest rate risk is the risk that the profitability and shareholders' equity of the Group are affected by movements in interest rates. Currency risk is the risk that currency fluctuations have an adverse impact on the Group's capital ratios, result and shareholders' equity.

Treasury risk management policy

Liquidity risk policy

Liquidity risk is governed by the Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP encompasses all underlying elements of liquidity risk management such as liquidity risk appetite, tolerance levels and limits, funding strategy, contingency funding plan and stress testing. The ILAAP is an ongoing process embedded within liquidity risk management, which is part of the overall risk management framework.

The liquidity risk appetite and tolerance levels are based on the following key principles:

1. the primary (overarching) objective in managing funding and liquidity risk is to accommodate the going concern business objectives without incurring unduly exposure to liquidity or refinancing risk;
2. the Group aims to be matched, where the run-off of assets and liabilities are matched within reasonable limits, or longer funded with reasonable (relative) funding costs;
3. the primary objective of the funding strategy is to maintain good market access at all times; and
4. compliance with minimum regulatory liquidity and funding requirements at all times.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

As liquidity risk is not perceived by the Group as a driver for profit, the policy aims at matched funding and diversification of funding sources. Liquidity risk is managed by seeking to conclude funding that matches on average to the estimated run-off profile of the leased assets. This matched funding principle is applied both at a consolidated Group and at entity level, considering specific mismatch tolerance levels depending on the total of interest-bearing assets (including vehicles under operating lease) of the subsidiary. Local management of Group entities is responsible for adhering to the matched funding policy. To fund its business, local management can take intercompany funding at the Group's central Treasury or bi-lateral funding with third-party banks. A Funds Transfer Pricing methodology governs the pricing of intercompany funding, with pricing determined and approved by the Managing Board monthly.

The Group holds a liquidity buffer to mitigate liquidity risk. The liquidity buffer consists of unencumbered cash, cash equivalents and committed facilities. Liquid assets are maintained to meet regulatory liquidity requirements at all times.

The Managing Board considers the liquidity risk management activities that are in place to be adequate to the profile and strategy of LeasePlan. By applying the matched funding principle and by having a diversified funding strategy in place, LeasePlan's refinancing need is spread over time and can be accommodated by several different funding sources. In combination with its liquidity buffer, LeasePlan's survival period comfortably meets regulatory requirements and therefore reflects LeasePlan's minimalist appetite for liquidity risk.

Interest rate risk policy

The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various durations and in various currencies. Interest rate risk within the Group is managed separately for:

- Group entities and associates, carrying interest-bearing assets (mainly lease contracts) and funding on their balance sheet, which is mainly intercompany funding supplied by the Group's central Treasury;
- The Group's central Treasury, concluding external funding, external derivatives and granting intercompany loans to the Group's entities;
- LeasePlan Bank (LPB), supporting the diversified funding strategy by raising retail saving deposits.

The interest rate risk policy is to match the interest rate risk profile of the lease contract portfolio with a corresponding interest rate funding profile to minimise the interest rate risk, as measured by interest rate gap reports per Group entity. Group entities carry interest-bearing assets on their balance sheet, funded by interest-bearing liabilities (loans and other indebtedness). Where interest-bearing liabilities fall short to cover interest-bearing assets, non-interest-bearing working capital and subsidiaries' equity can cover interest-bearing assets, as part of the matched funding policy.

The Group's central Treasury provides loans to the Group's entities and attracts funds from the market in conjunction with interest rate derivatives entered for hedging purposes. Derivative financial instruments are concluded by the Group's central Treasury; the Group does not hold a trading book. Due to the accounting treatment of derivative financial instruments, the Group is exposed to some volatility in its statement of profit or loss, particularly regarding the derivatives that do not qualify for hedge accounting.

To enable the Group's central Treasury to achieve economies of scale, smaller intercompany loans are grouped and financed through larger-sized external funding transactions. Interest rate risk inherent to the central treasury process, such as timing differences and mismatches of interest rate re-pricing, are accepted within set currency and duration limits.

The liquidity and interest typical duration of LeasePlan Bank's (hereafter LPB) flexible savings are modelled through a replicating portfolio and measured from a behavioural perspective. LPB invests the flexible savings funds received by placing deposits with the Group's central Treasury in line with the modelled interest profile of the flexible savings, thereby replicating the flexible savings' maturity profile. The average repricing maturity of LeasePlan's portfolio of Non Maturing Deposits (NMDs) is approximately 15 months for the total portfolio. The longest modelled maturity is 60 months. Maturities for Core and Non-Core portfolios are not separately modelled. LPB does not attract deposits from non-financial wholesale counterparties.

In addition, the Group risk management department monitors the effect of a gradual movement in market interest rates on its earnings at risk and the effect of a sudden parallel shift of the yield curve on its equity at risk. The IRRBB exposures in relation to the limits that are in place are shared with ALCO on a monthly basis.

Currency risk policy

The Group's functional currency and the reporting currency for its consolidated financial statements is the euro. However, because of its presence in a significant number of countries outside the Eurozone, the Group has substantial assets, liabilities, revenues and costs denominated in currencies other than the euro. The global nature of the Group's operations therefore exposes the Group to exchange rate volatility as a result of potential mismatches between the currencies in which assets and liabilities are denominated, and as a result of the translation effect on its reported earnings, cash flow and financial condition.

The Group is exposed to transactional foreign exchange rate risk when a subsidiary enters into a transaction in a currency other than the subsidiary's functional currency. The Group seeks to manage its transactional foreign exchange rate risk by attempting to limit the Group's exposure to the effects of fluctuations in currencies on its statement of financial condition and cash flows through funding its debt directly or through derivatives in the currency in which assets are originated and allocating capital in the currencies in which assets are denominated.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

The Group is also subject to translation risk, which is the risk associated with consolidating the financial statements of subsidiaries that conduct business in currencies other than the euro or have a functional currency other than the euro. On 31 December 2022, 36.7% (2021: 35.6%) of the Group's equity capital was denominated in currencies other than the euro.

As the Group does not hedge its equity positions in foreign currencies, fluctuations in the value of the euro relative to currencies in which LeasePlan conducts operations will affect the Group's financial condition and net equity position resulting from these foreign operations.

The Group hedges against the adverse effect of foreign currencies on LeasePlan's capital adequacy ratio by taking structural equity positions in the local entities, to match the entities' capital adequacy ratio with LeasePlan's capital adequacy ratio. LeasePlan has been compliant with the EBA Guidelines on the treatment of structural FX under article 352(2) of CRR since Q1 2022.

In short, the Group has the following risk management approach regarding currency risk:

- Matched funding: The assets on the entity's balance sheet should always be financed in the same currency in which the lease contracts are denominated.
- Structural positions: The positions in non-euro currencies are of a non-trading and structural nature. As a result hereof, the regulatory ratio protection method is applied; to protect the capital ratios rather than the absolute amount of the Group's equity.

Based on the currency risk management approach the Group's capital adequacy ratio is only limited exposed to changes in the exchange rates it is exposed to. The logic behind this is that if the relative assets/equity position in an entity are the same as for the Group, both assets and equity allocated to the non-functional currency will deviate but will not impact the Group's CET1 ratio.

In order to monitor and manage its currency risk exposure, the Group has defined triggers and limits on its structural risk exposure, in accordance with EBA Guidelines.

Treasury risk management structure and organisation

The Group's treasury risk management is driven by monitoring of regulatory and operational (mismatch) limits as set in the risk appetite statement. Compliance with the risk appetite statement of the Group and its entities (including the Group's central Treasury and LeasePlan Bank) is monitored on, at least, a monthly basis by the Group's risk management department, whereas treasury positions of the Group's central Treasury are monitored daily. Group-wide liquidity risk is measured at LeasePlan Corporation level.

The Group's central Treasury provides loans to the Group's entities and attracts funds from the market, thereby acting as the central hub for liquidity management activities. Funds raised through LeasePlan Bank are also placed with Treasury.

The Group risk management department has the responsibility to monitor treasury risk limits, achievement of liquidity targets, and to identify control breakdowns, inadequacy of processes and unexpected events. The treasury risk positions, non-compliance and follow-up measures are discussed within the ALCO and, if necessary, shared with the Managing Board. A Liquidity Risk Policy is in place that describes how liquidity risk is monitored, managed and mitigated.

Whereas the ALCO is meant for going-concern situations, a Crisis Management Response Team (CMRT) is established to manage liquidity and capital levels in crisis scenarios. The Group has developed a trigger and early warning indicator framework. The CMRT decides on the activation of the Alarm Phase 'amber' or Recovery Phase 'red' depending on breached trigger levels. The role and mandate of the CMRT are governed by the Liquidity Contingency Plan (LCP) and the Capital Contingency Plan (CCP), which together with the Recovery Plan are integrated in the Group's risk management framework. The LCP, CCP and Recovery Plan also identify potential management action which can be executed to generate liquidity and/or capital during times of stress.

Within the pre-conditions of the ILAAP, the Strategic Finance department executes the funding strategy. A key instrument in liquidity risk management is the funding planning, which is a recurring item on the ALCO agenda. The funding planning forecasts issuances and redemptions for each funding source, resulting in a multi-year projection of the liquidity position. Apart from a going concern forecast, a forecast based on stress scenario assumptions is calculated monthly. The governance of the liquidity stress testing process is outlined in the liquidity stress testing policy.

The Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. Stress testing results are used both for contingency planning as well as for going-concern funding and risk activities, for instance, to set the target level for the liquidity buffer to meet financial and regulatory obligations during a period of severe stress. Furthermore, these results are used as input for the periodic recalibration of the risk appetite for liquidity risk.

On a quarterly basis the Group's risk management department reports on actual performance of treasury positions against the risk appetite limits to the Risk Committee of the Supervisory Board.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Treasury risk measurement

Liquidity risk measurement

The table below presents the Group's contractual undiscounted cash flows payable of the financial liabilities in the relevant contractual maturity groupings. As the effect of discounting is not material these amounts reconcile to the balance sheet positions. Lease liabilities do not reconcile to the balance sheet because the interest component is included in the line and not shown separately.

	Note	0-3 months	3-12 months	1-5 years	> 5 years	Total
FINANCIAL LIABILITIES						
Funds entrusted	*27*	8,166,409	1,725,584	960,241	43	10,852,278
Trade payables	*28*	794,410				794,410
Borrowings from financial institutions	*29*	494,124	384,336	2,153,860	–	3,032,320
Debt securities issued	*30*	227,381	2,531,207	6,203,328	93,299	9,055,215
Future payments (interest and commitments fees)		65,510	204,308	253,536	8,430	531,783
Lease liabilities		9,039	26,848	104,444	36,542	176,873
TOTAL AS AT 31 DECEMBER 2022		**9,756,873**	**4,872,282**	**9,675,410**	**138,314**	**24,442,880**

	Note	0-3 months	3-12 months	1-5 years	> 5 years	Total
FINANCIAL LIABILITIES						
Funds entrusted	*27*	6,985,563	2,017,759	1,331,334	14	10,334,671
Trade payables	*28*	851,097				851,097
Borrowings from financial institutions	*29*	536,898	648,347	2,138,766	–	3,324,010
Debt securities issued	*30*	839,988	1,526,992	6,923,409	111,535	9,401,924
Loans from equity investments		25,000				25,000
Future payments (interest and commitments fees)		44,936	117,981	218,099	14,788	395,804
Lease liabilities		10,909	33,024	141,784	91,469	277,185
TOTAL AS AT 31 DECEMBER 2021		**9,294,392**	**4,344,102**	**10,753,392**	**217,806**	**24,609,692**

In the table below, for interest rate swaps the undiscounted cash inflows and outflows are presented on a net basis into the relevant maturity groupings, whereas the undiscounted cash flows on currency swaps are presented on a gross basis.

In thousands of euros	0-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate swaps/forward rate agreements	5,497	–2,974	–221,816	3,285	–216,008
Currency swaps inflows	2,798,799	836,690	2,321,926	–	5,957,416
Currency swaps outflows	–2,810,503	–865,361	–2,318,955	–	–5,994,819
TOTAL AS AT 31 DECEMBER 2022	**–6,208**	**–31,645**	**–218,844**	**3,285**	**–253,412**

In thousands of euros	0-3 months	3-12 months	1-5 years	> 5 years	Total
Interest rate swaps/forward rate agreements	–2,332	9,990	32,289	12,007	51,954
Currency swaps inflows	3,576,537	288,794	1,190,435	–	5,055,765
Currency swaps outflows	–3,588,474	–280,361	–1,215,546	–	–5,084,381
TOTAL AS AT 31 DECEMBER 2021	**–14,269**	**18,423**	**7,178**	**12,007**	**23,338**

As a precaution to the risk of not having continued access to financial markets for funding, the Group maintains a liquidity buffer. This buffer includes unencumbered cash and committed (standby) credit facilities to reduce the Group's liquidity risk. The liquidity buffer as per 31 December is specified as follows:

In million EUR	2022	2021
Unencumbered cash at banks	628	573
Unencumbered cash at Dutch Central Bank	7,018	5,350
TOTAL ON BALANCE LIQUIDITY BUFFER	**7,646**	**5,923**
Committed facilities	1,375	1,375
TOTAL	**9,021**	**7,298**

The Group holds a revolving credit facility with a consortium of 11 banks (EUR 1.4 billion) maturing in November 2024. During 2022 no amounts were drawn under this facility.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

The European Central Bank sets out minimum liquidity level requirements demanding that available liquidity exceeds required liquidity at all times as well as a Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) of 100%; the Group is in compliance with these minimum liquidity requirements.

The Group's liquidity stress testing programme includes the integration of risk drivers and review of stress scenarios, governance, tools used and documentation of the stress testing process. Stress testing is embedded in the funding planning, taking into account the nine months' minimum regulatory liquidity buffer requirement, in line with the Group's risk appetite statement. At all times during 2022, the Group held enough liquidity to continue business as usual during the most severe stress scenario for a minimum period of nine months and was therefore compliant with the expectation expressed by the regulator.

Interest rate risk measurement

The Group matches the interest rate risk profile of the lease contract portfolio with a corresponding interest rate funding profile to minimise the interest rate risk, where the IRRBB model takes into account lease client behaviour instead of the contractual interest rate risk profile. The Group investigated whether its IRRBB model appropriately reflects its economic reality and the applicable regulatory framework.

The Group monitors the effect of a gradual movement in interest rates on its profitability and the effect of a sudden parallel shift to the yield curve on the Group's capital. The Group assumes for the effect of a gradual movement in interest rates on its profitability that the monthly development of the lease assets is in line with the predictions in the management forecast.

The impact of a 200-basis points interest rate shock on the Group's earnings at risk and equity at risk is shown below:

	Earnings at risk	
Gradual shock on the yield curve (in million EUR as at 31 December)	**2022**	**2021[1]**
EFFECT WITHIN 1 YEAR		
-200 bps	–42.1	–14.0
+200 bps	42.1	14.1
EFFECT WITHIN 2 YEARS		
-200 bps	–126.9	–44.6
+200 bps	126.9	49.0

[1] *2021 numbers have been restated (change of sign) due to improved reporting that facilitates identification of sign next to absolute amplitude of the shock effect.*

The impact of an instantaneous shock in interest rates on the Group's Economic Value of Equity is as follows:

	Equity at risk	
	2022	**2021**
-200 bps	123.9	144.5
+200 bps	–116.8	–132.7

Market rates are derived from the relevant swap curves.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Currency risk measurement

The table below details the Group's net currency positions as at 31 December 2022:

	EUR	GBP	TRY	DKK	NOK	PLN	Other currencies	Total
Cash and balances at central banks	7,117,329	–	–	–	–	–	–	7,117,329
Investments in equity and debt securities	123,141	–	–	–	–	–	–	123,141
Receivables from financial institutions	772,576	−10,822	11,855	8,954	4,983	14,151	85,814	887,511
Derivatives – long	4,777,543	27,397	383	–	107,500	24,947	877,860	5,815,629
Interest to be received	2,487	–	28	–	3	26	16	2,560
Rebates and bonuses & commissions receivable	251,725	12,342	831	4,273	8,593	2,779	9,720	290,264
Reclaimable damages	33,583	–	677	1,614	–	105	3,568	39,547
Lease receivables from clients	1,111,454	588,725	4,324	49,893	119,414	22,911	148,509	2,045,230
Investments in equity accounted investments	18,421	–	–	–	–	–	–	18,421
Loans to other third parties	410	9	–	–	–	–	–	419
Loans to equity accounted investments	110,500	–	–	–	–	–	–	110,500
Deferred payment sale of subsidiaries	233,102	–	–	–	–	–	–	233,102
NON-FINANCIAL ASSETS	**16,080,948**	**2,760,462**	**565,710**	**458,383**	**940,644**	**486,005**	**1,814,929**	**23,107,081**
TOTAL ASSETS	**30,633,220**	**3,378,113**	**583,808**	**523,117**	**1,181,138**	**550,924**	**2,940,416**	**39,790,735**
Funds entrusted	10,852,278	–	–	–	–	–	–	10,852,278
Total derivatives – short	1,889,535	2,234,481	133,819	209,226	319,890	399,058	634,313	5,820,320
Trade payables	587,836	43,605	17,901	32,931	44,323	13,286	54,528	794,410
Interest payable	63,761	377	966	195	4,646	507	6,792	77,243
Borrowings from financial institutions	2,304,277	15,354	29,191	142,610	102,014	7,041	431,832	3,032,320
Lease liabilities	132,248	7,277	178	8,353	3,339	2,793	14,617	168,805
Debt securities issued	7,343,202	283,475	–	–	516,670	16,021	895,846	9,055,215
NON-FINANCIAL LIABILITIES	**2,036,236**	**713,472**	**406,038**	**124,704**	**181,630**	**84,882**	**874,971**	**4,421,933**
TOTAL LIABILITIES	**25,209,372**	**3,298,041**	**588,094**	**518,020**	**1,172,512**	**523,587**	**2,912,899**	**34,222,525**
Net position (excluding net investment in subsidiaries)	5,423,848	80,072	−4,286	5,097	8,626	27,337	27,517	5,568,210
CURRENCY POSITION		**491,110**	**321,818**	**69,654**	**112,763**	**95,427**	**330,782**	
Net investment in subsidiaries		411,038	326,104	64,557	104,137	68,090	303,265	
Other positions		80,072	−4,286	5,097	8,626	27,337	27,517	

As at 31 December 2021:

	EUR	GBP	USD	AUD	TRY	Other currencies	Total
Non-financial assets	14,843,507	2,681,185	554,438	–	230,506	3,402,990	21,712,625
TOTAL ASSETS	**27,294,537**	**4,566,849**	**1,912,245**	**1,969**	**235,603**	**4,154,572**	**38,165,775**
Non-financial liabilities	1,116,714	625,375	406,921	–	133,498	838,901	3,121,410
TOTAL LIABILITIES	**22,570,859**	**4,548,733**	**1,911,320**	**7**	**235,485**	**4,119,480**	**33,385,883**
Net position (excluding net investment in subsidiaries)	4,723,678	18,116	925	1,962	118	35,092	4,779,892
CURRENCY POSITION		**372,168**	**219,744**	**1,962**	**106,267**	**544,401**	
Net investment in subsidiaries		354,052	218,818	–	106,149	509,309	
Other positions		18,116	925	1,962	118	35,092	

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

The Group monitors the relative currency exposure by comparing its capital adequacy ratio per currency to the Group's overall ratio. The Group's aim is to neutralise its capital ratio for currency exchange rate fluctuations. Taking a 10% presumed currency shock on all currencies against the euro, the impact on the Group's capital would be EUR 62.4 million (2021: EUR 37.8 million). The following table shows the net currency position versus the risk exposure amount for which, in absolute terms, under a shock of 10%, the Group's capital can be impacted (considered for the main currencies).

	2022		2021	
	Net open position	**Currency shock**	**Net open position**	**Currency shock**
Pound Sterling ('GBP')	411.0	–	354.0	2.7
United States Dollar ('USD')	–	–	218.8	3.9
Turkish Lira ('TRY')	326.1	25.1	106.1	8.8
Danish Krone ('DKK')	64.6	–	100.6	4.6
Norwegian Krone ('NOK')	104.1	–	97.3	0.8
Polish Zloty ('PLN')	68.1	6.8	49.2	0.7
Other[1]	305.3	30.5	231.4	16.3
TOTAL	**1,279.2**	**62.4**	**1,157.4**	**37.8**

[1] *The 'Other' category consists of smaller entities with corresponding currencies. The category does not reconcile with the table showing the Group's net currency position due to the inclusion of an off-balance sheet commitment as part of the total FX risk positions, whereas the position on the previous page only includes on-balance positions.*

Although the Group is aware that, from an absolute equity perspective, currency exposures exist, these exposures are deliberately not fully mitigated following the ratio protection strategy.

Derivatives and hedge accounting

The Group's activities are principally related to vehicle leasing and fleet management. The Group accepts and offers lease contracts to clients at both fixed and floating interest rates, for various periods and in various currencies. For a major part of the funding of the cars, the Group has entered into borrowings from external parties or issued notes to third parties. The Group seeks to balance the spread between interest rates charged in lease contracts and the interest rates paid on various borrowings and, at the same time, needs to control its exposure towards future movements in interest rates and currency exchange rates. Risk control is important to continuously meet the solvency and liquidity requirements and targets as set by the regulator and as expected by external stakeholders. The Group uses various non-derivative and derivative financial instruments to achieve that goal.

Derivatives are used to mitigate the interest rate and currency exposures associated with the funding of lease contracts. Interest rate swaps cover interest rate positions between lease contracts and borrowed funds and currency interest rate swaps cover currency exposures between lease contracts and borrowed funds.

The extent of exposure management is in line with internal risk appetite and limits determined by the Group risk management and reviewed on a regular basis. The Group uses a mixture of one-to-one relationships (for fair value hedging), as well as many-to-many macro hedging (for cash flow hedging). The hedge ratio is calculated by analysing the relationship between the quantity of the hedging instrument and the quantity of the hedged item in terms of their relative weighting. For fair value hedges the hedge ratio is calculated as 1:1, whereas for cash flow hedges the ratio is 0.48:1.

Cash flow hedges

The Group applies cash flow hedges to the interest rate risk and currency risk on the issued debt securities and other borrowings, to mitigate both current and future statement of profit or loss volatility arising from the variability of cash flows attributable to currency and interest rate movements. In cash flow hedging, Group has agreed to exchange interest and currency cash flows, based on an underlying nominal amount.

Fair value hedges

The Group applies fair value hedges to mitigate exposure to changes in fair value of recognised liabilities. For fair value hedge relationships, the Group Treasury's risk management policy is to hedge the interest rate risk component of debt capital markets transactions, to comply with the risk objectives as set and reviewed periodically by the Group risk management, and to achieve economic hedging of such transactions.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Risk-weighting

The notional amounts of the derivatives provide an indication of the size of the contracts but do not indicate the extent of the cash flows and risks attached thereto. In determining the capital adequacy requirement, both existing and potential future credit risk is considered. The current potential loss on derivatives, which is the positive fair value at the balance sheet date (positive replacement cost), is increased by a percentage of the relevant notional amounts, depending on the nature and remaining term of the contract (potential future credit risk). This credit risk is risk-weighted based on the credit rating of the counterparty and the remaining term.

The Group maintains control limits from a credit risk point of view and (for a significant part of the derivative portfolio) uses Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements to mitigate the credit risk through regular margin calls. This credit risk exposure is managed as part of the overall lending limits with financial institutions.

It should be noted that while as a result of the above the Group mitigates interest rate risk and currency risk from an economic perspective, these derivatives do not always qualify for hedge accounting from an accounting perspective. The Group has applied hedge accounting if requirements in IFRS are met. Reference is made to ***Note D*** – Derivative financial instruments and hedge accounting.

Credit risk

Credit risk definition

As a result of its normal business activities, the Group is exposed to credit risk, which is the risk of financial losses due to default on a debt that may arise from a borrower failing to make required payments. More generally, credit risk is the risk that the value of a debt obligation will decline due to a change in the borrower's ability to make payments, whether that change is an actual default or a change in the probability of default. In the Group's core business, this credit risk mainly relates to lease receivables from clients. Lease receivables from clients consist of trade receivables and amounts receivable under finance lease contracts. For amounts receivable under finance lease contracts credit risk is mitigated materially by the underlying value of the available collateral (i.e. leased object).

In addition, the Group is exposed to credit risk originating from its banking and treasury activities, which includes deposits placed with financial institutions and hedging instruments, such as derivatives and reinsurance activities. Finally, the Group is exposed to credit risk because of insurance activities as well as to rebates and bonuses to be received from vehicle manufacturers and other suppliers.

The Group's definition of default is aligned with the regulatory definition. A customer is reported as default as prescribed by the guidelines on the application of the definition of default. For purposes of assessing, recognising and reporting defaults, a customer shall be considered to be in default when either one or both of the following events occur:

i. the local LP entity considers the customer unlikely to pay ('UTP') and/or
ii. the customer is past due more than 90 consecutive days on any material credit obligation.

For the implementation of the new definition of default, LeasePlan followed a two-step approach. The first step was implementing the new definition of default, which was done as of 1 January 2021. The second step is updating our regulatory models (for both the Corporate and Retail counterparties). These new models have been sent to the supervisor and a model assessment process has been conducted by the supervisor. Currently LeasePlan is awaiting the outcome of the model assessment process of the supervisor. Given that LeasePlan still needs to apply the current regulatory models, the regulator imposed an add-on to be included in the total TREA of LeasePlan. This add-on was the result of the SREP process.

Credit risk management policy

The Group has issued policies and standards which regulate the governance of the local credit risk management organisation. Group entities are required to define their credit acceptance criteria and set their limits on counterparty and concentration risks as well as the types of business and conditions thereof in local policies.

For its credit risk management, the Group distinguishes between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are from a regulatory point of view defined as small and medium entities (SMEs) and private households. Except for retail clients, which are assessed whenever a credit application is received, the credit risk of all counterparties is assessed at least once a year.

For corporate counterparties, the Group has an internal rating system in place, segmented into 14 non-default rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. The governance framework built around models ensures that the rating tools are kept under constant review and are renewed when necessary. For this purpose, the Group monitors on a quarterly basis whether the performance of the models meets internal and external requirements. The Group's internal ratings scale for corporate counterparties and mapping of external ratings are as follows:

Group's rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Prime	AAA/AA–
2A	Very Strong	A+
2B	Strong	A
2C	Relatively Strong	A–
3A	Very Acceptable	BBB+
3B	Acceptable	BBB
3C	Relatively Acceptable	BBB–
4A	Very Sufficient	BB+
4B	Sufficient	BB
4C	Relatively Sufficient	BB–
5A	Somewhat Weak – Special Attention	B+
5B	Weak – Special Attention	B
5C	Very Weak – Watch	B–
6A	Sub-Standard Watch	CCC+/C

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

The ratings of Standard & Poor's shown in the table above are mapped to the Group's rating classes based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark its internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

The Group also applies internal models to determine the credit risk to retail exposures in the United Kingdom and the Netherlands. Where the Group uses internal models to determine the credit rating of a counterparty, capital is calculated based on AIRB models. The models for credit risk relate especially to the determination of:

- Probability of Default – the likelihood of the default of a client in the next 12 months (expressed in %).
- Loss Given Default – the loss the Group expects to incur at the moment of a default (expressed in %).
- Exposure at Default – the expected amount the Group is exposed to when a client goes into default.
- Remaining maturity – the contractual remaining term of the lease contract.

These internal models are used as a basis to comply with IFRS 9 requirements. Reference is made to ***Note C*** – Financial assets and liabilities.

For government, bank and other retail customers' counterparty exposures, the Group does not use internal models. The credit rating of these exposures is determined based on external ratings, being the lowest rating of Standard & Poor's and Moody's (if available). For the determination of the risk-weight of these exposures, the Group applies the Standardised Approach (which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure) to determine capital requirements.

Each local entity is required to maintain a watch list, which is based on the internal rating grades and other available information. These lists are reviewed in regular meetings by the credit committees. A qualitative analysis of total credit exposures, defaults and losses is reported on a monthly basis to the Group's Risk Committee.

As per above, credit risk arising from the use of the relationship with banking and treasury counterparties is laid down in a specific counterparty risk standard. Limits are set on a legal entity basis and are included in the Group's risk appetite and approved on a yearly basis. Key criteria used in setting limits are, among others, large exposure rule, long-term debt ratings, credit risk assessments on the related banks and participation in the revolving credit facility. The Group's treasury risk management monitors the exposures, against the approved limits, on an ongoing basis.

On a daily basis, the treasury risk management department reviews the current spread on credit default swaps (CDS) of all relevant banking counterparties and sovereigns in the market. The spread of a CDS, securing debt holders against a counterparty or sovereign defaulting on its debt, highlights the market participant's perceived credit risk on such a counterparty. Large or unusual volatility is raised to the Senior Treasury Risk Manager for review. For credit risk in reinsurance, reference is made to the section on motor insurance risk.

Credit risk management structure and organisation

The Group's Managing Board sets authority levels for all of the Group's entities, allowing them to decide on counterparty acceptance and renewal. The authority levels are granted based on the relative size of the Group entity and the quality of credit risk management. If a requested facility exceeds the local authority level, the underwriting team of Group Risk Management, Combined Risk and Pricing Committee or the Supervisory Board is authorised to decide on credit acceptance and renewal thereof. The Group has a custom built web-based global credit risk management system in place in order to efficiently, and in accordance with granted authorities, handle and monitor credit requests and defaults.

Credit risk measurement

In accordance with the CRR/CRD IV regime, the Group measures its credit risk items in the following categories: exposure classes, geographic segmentation, industry segmentation and client concentration (single customers and groups of customers). For the purpose of the financial statements, credit risk exposure on lease receivables is reflected in two separate items based on the accounting classification of the lease, as either a finance or operating lease receivable (see ***Note C*** – Financial assets and liabilities). The property and equipment under operating lease and rental fleet (see ***Note I*** – Property and equipment under operating lease, rental fleet and vehicles available for lease) are reported as non-financial fixed assets. The following financial assets have provisions for expected credit loss:

- Receivables from financial institutions
- Rebates and bonuses & commissions receivable
- Reclaimable damages
- Lease receivables from clients

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

For these financial assets further disclosures are provided. Refer to below:

By geography

The following table shows the concentration of the financial assets that have provisions for ECL in geographical sectors as at 31 December:

	Member states of the European Union (euro)	Member states of the European Union (non-euro)	Rest of the world	Total
Receivables from financial institutions	826,310	52,250	8,952	887,511
Lease receivables from clients	1,104,082	907,743	33,405	2,045,230
Rebates and bonuses and commissions receivable	251,725	37,817	722	290,264
Reclaimable damages	33,583	5,288	676	39,547
Deferred payment sale of subsidiaries	233,102	–	–	233,102
TOTAL AS AT 31 DECEMBER 2022	**2,448,802**	**1,003,098**	**43,755**	**3,495,655**
Receivables from financial institutions	621,832	53,271	12,549	687,651
Lease receivables from clients	1,168,585	972,673	1,351,723	3,492,981
Rebates and bonuses and commissions receivable	252,940	36,378	9,568	298,886
Reclaimable damages	32,761	5,039	80	37,880
TOTAL AS AT 31 DECEMBER 2021	**2,076,118**	**1,067,361**	**1,373,919**	**4,517,399**

By industry

A summary of the approximation of the concentration of the financial assets per industry as at 31 December can be shown as follows:

	Financial institutions	Manu-facturing	Wholesale trade	Transport and public utilities	Public sector	Other industries	Total
Receivables from financial institutions	887,511	–	–	–	–	–	887,511
Rebates and bonuses and commissions receivable	–	290,264	–	–	–	–	290,264
Reclaimable damages	39,547	–	–	–	–	–	39,547
Lease receivables from clients	63,110	237,206	193,509	528,218	42,969	980,219	2,045,230
Deferred payment sale of subsidiaries	–	–	–	–	–	233,102	233,102
TOTAL AS AT 31 DECEMBER 2022	**990,168**	**527,470**	**193,509**	**528,218**	**42,969**	**1,213,321**	**3,495,655**
Receivables from financial institutions	687,651	–	–	–	–	–	687,651
Rebates and bonuses and commissions receivable	–	298,886	–	–	–	–	298,886
Reclaimable damages	37,880	–	–	–	–	–	37,880
Lease receivables from clients	172,376	754,213	340,984	503,065	52,660	1,669,683	3,492,981
TOTAL AS AT 31 DECEMBER 2021	**897,908**	**1,053,099**	**340,984**	**503,065**	**52,660**	**1,669,683**	**4,517,399**

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

By credit rating

The table below summarises the credit rating of the most relevant financial assets of the Group:

	2022			
	Not credit impaired (12-months ECL)	**Not credit impaired (Lifetime ECL)**	**Credit impaired**	**Total**
RECEIVABLES FROM FINANCIAL INSTITUTIONS				
AAA-A	757,124			757,124
BBB-B	124,893			124,893
Other	5,884			5,884
LEASE RECEIVABLES FROM CLIENTS				
AAA-A		963,083	22,376	985,459
BBB-B		560,754	18,101	578,855
CCC-C		1,736	33	1,769
Other		477,394	48,910	526,304
Loss allowance	−390	−12,477	−34,680	−47,547
CARRYING AMOUNT	**887,511**	**1,990,490**	**54,740**	**2,932,741**

	2021			
	Not credit impaired (12-months ECL)	**Not credit impaired (Lifetime ECL)**	**Credit impaired**	**Total**
RECEIVABLES FROM FINANCIAL INSTITUTIONS				
AAA-A	663,210			663,210
BBB-B	11,594			11,594
Other	13,237			13,237
LEASE RECEIVABLES FROM CLIENTS				
AAA-A		1,160,050	38,780	1,198,830
BBB-B		1,545,857	46,978	1,592,835
CCC-C		289	30	319
Other		706,418	70,768	777,186
Loss allowance	−390	−15,082	−61,106	−76,578
CARRYING AMOUNT	**687,651**	**3,397,531**	**95,450**	**4,180,632**

Operational risk

Operational risk definition

Operational risk within LeasePlan is part of the Non-Financial Risk Management domain, and it involves the risk of a positive, negative or potential loss resulting from inadequate or failed internal processes, human behaviour, and systems or external incidents. Business continuity risk, intragroup arrangement risk, third-party risk, transaction processing and execution risk, physical security and safety risk, internal and external fraud risk, change failure risk, information risk, legal risk, financial reporting risk, model risk, and human resources risk are classified as operational risk categories. Some of the risk categories have separate policies and standards. In particular, LeasePlan has defined an internal fraud policy and a fraud risk management framework to prevent, detect, investigate/handle and remediate/follow-up internal and external fraud. This policy and framework describe a structured approach based on the fraud risk cycle (i.e. fraud risk identification, assessment, mitigation, monitoring and reporting). Additionally, LeasePlan has defined and implemented control measures to prevent and detect fraud, such as access management, dual control, segregation of duties, background check/employee screening, induction programme, physical controls, performance measurement control on top 10 largest sales and monitoring of credit card expenses and salary payment procedures, among others. External fraud is monitored as part of LeasePlan's risk appetite indicators on a monthly basis. LeasePlan has a zero-tolerance policy towards internal fraud.

Standardised Approach

Operational risk is included under the Pillar 1 capital and total risk exposure amount on the Standardised Approach (STD). In 2022, under Pillar 1 the operational risk regulatory capital requirement is EUR 220 million (for 2021: EUR 193 million).

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Operational risk management structure and organisation

The Group's operational risk policy, as set by the Group Risk Committee (GRC), states that local management is responsible for managing the operational risks in their local entity. An operational risk role is appointed as a second line function for each entity, which is the driving force behind the increase in risk awareness and the improvement of operational risk management within the local entity. Group Risk management is responsible for monitoring the operational risk profile and the validation of operational risk reporting. Group Risk management analyses the operational risk incidents reported by local entities and the performance against the risk appetite and reports subsequently to the GRC on a monthly basis and on a quarterly basis to the Risk Committee of the Supervisory Board. This report also includes the operational risk position of the Group at consolidated level.

Operational risk loss reporting

To ensure that operational risk losses are consistently reported and monitored at Group level, the local entities report all operational risk incidents above a minimum threshold set by Group Risk (based on gross impact). Reporting of incidents below this threshold is encouraged. The Group distinguishes between gross impact (the maximum estimated impact known at the moment of identification, irrespective of any potential recovery) and net impact (gross impact minus recovered amounts).

Group Risk ensures the Managing Board is made aware of the material risk developments. The Group Risk Function is responsible for providing an integral view of incidents and impact.

Risk identification and assessment

LeasePlan has defined a regular process for identifying all material risks it is or might be exposed to, both at Group level and at entity level. Identified risks in existing business processes and when introducing new/changed products/processes are assessed by determining the impact and the likelihood of occurrence before and after implementation of controls.

Risk mitigation

The analysis of operational losses leads to the definition of mitigating actions to (further) reduce the risk exposure. A process is in place to ensure that mitigating measures are implemented within the agreed timelines.

Based on LeasePlan's risk profile, experience and appetite, insurance coverage is in place for the main high impact, low likelihood events that are inherent to the environment LeasePlan is operating in. Current insurance policies consist of several separate programmes (e.g. General Liability and Property Damage) and participation is mandatory for local entities.

Control effectiveness

The non-financial risk management function monitors the outcome of the testing of the Internal Control Framework. Actions are defined and followed up in case of deficiencies.

Operational risk measurement

During 2022, the Group recorded 1,112 operational risk incidents with a gross impact above EUR 1,000, amounting to a total net impact of EUR 15 million (EUR 11 million in 2021). The impact of the incidents was within risk appetite.

The majority of the recorded operational risk incidents (80% from the total amount and 87% of the total number of incidents) are classified in the event category 'Execution: Delivery and Process Management'. The distribution of the Group's operational risk incidents is as follows:

	2022		2021	
Basel Category	**% total (EUR)**	**% total (nr)**	**% total (EUR)**	**% total (nr)**
Business Disruption and System Failures	2%	1%	6%	2%
Clients: Products and Business Practices	4%	5%	4%	7%
Damage to Physical Assets	0%	2%	1%	1%
Employment Practices and Workplace Safety	0%	0%	0%	0%
Execution: Delivery and Process Management	80%	87%	83%	87%
External Fraud	10%	5%	6%	3%
Internal Fraud	4%	0%	0%	0%
TOTAL	**100%**	**100%**	**100%**	**100%**

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Motor insurance risk

The Group arranges multi-national corporate insurance programmes to protect all of its entities. Insurance policies issued are written by leading global insurance companies on a 'Freedom of Services' basis and apply to all European Union (EU) countries and Norway. For non-EU countries or where local regulations require, the Group has arranged for local policies to be issued, by the same insurers or their authorised agents. Insurance covers purchased on a global level are: Property, Combined General Liability, Employment Practices Liability, Crime, Directors & Officers Liability, Cyber and Professional Indemnity cover. Additionally, where local legislation requires a policy to be in place in a particular entity, such as Employers' Liability Insurance or Workers' Compensation Insurance, such cover is arranged by the local entity and confirmation of the same is provided to the risk department at corporate centre.

Motor insurance risk definition

As a result of its normal business activities the Group is exposed to motor insurance risk. Motor insurance risk is the risk of financial losses, relating to car insurance.

Additionally, some local entities offer a non-insurance solution referred to as 'risk retention'. For non-compulsory lines of cover, where local regulations permit, the Group may offer a warranty for damage sustained to a vehicle, up to a pre-defined limit, in return for a higher lease charge. This risk also consists of long-tail risks (e.g. motor third-party liability and legal defence, where LeasePlan agrees to refund the insurer an agreed amount as a deductible) and short-tail risks (e.g. motor material damage and passenger indemnity).

Motor insurance risk management structure and organisation

Group risk management is responsible for monitoring the motor insurance risk profile. Motor insurance risks (referred to as insurance risk) are underwritten by the Group's insurance subsidiary, LeasePlan Insurance (Euro Insurances DAC), based in Dublin, Ireland. In addition, some local entities have a local risk retention scheme for motor material damages and retain the damage risk, whilst also offering additional insurance coverage through either LeasePlan Insurance or external providers. LeasePlan Insurance is regulated by the Central Bank of Ireland and its 'European passport' enables it to support the Group entities in all EU countries and Norway. LeasePlan Insurance is capitalised in accordance with the Standardised Approach of Solvency II. LeasePlan Insurance maintains external reinsurance cover on an excess of loss basis for motor third-party liability risks and catastrophic events. LeasePlan Insurance purchases reinsurance cover for these risks above a prescribed coverage limit with an external reinsurance panel to minimise the financial impact of a single large accident and/or event.

Annually, the Group risk management department prepares the risk appetite statement, which includes all risk areas and requires approval of the Managing Board and the Risk Committee of the Supervisory Board. On a quarterly basis, the Group risk management department reports to the Risk Committee of the Supervisory Board on performance against the risk appetite, including developments within motor insurance. The motor insurance position is further discussed in the Motor Insurance Governance Committee, the Group Risk Committee and shared with the Managing Board and the Risk Committee of the Supervisory Board.

Motor insurance risk management policy

The overall approach of the Group is to selectively accept damage and insurable risk within the Group entities and/or LeasePlan Insurance. The Group's objective is to identify and develop the motor insurance risk profile and to continuously monitor and manage these risks in line with the risk appetite for motor insurance risk. Generally, the Group prefers to accept damage and insurance risk positions arising from its own operating and (to a lesser extent) finance lease portfolio. Damage and insurance specialists in each Group entity accept damage or insurance risks in accordance with the strict Risk Selection and Pricing Procedures issued by LeasePlan Insurance, or in accordance with criteria set by the Group risk department and local management teams, for the risk retention schemes. These procedures set out the scope and nature of the risks to be accepted (or not) as well as the local authority rules.

Settlement of damages is generally outsourced to specialised independent damage handling companies in accordance with service level agreements, although some local entities have a specialist team in place to perform this activity. Settlement of damages is performed by specialised damage handling teams, within the Group, when a local risk retention scheme is in place.

To clearly identify, monitor, manage and limit the risks, principles are laid down in a motor insurance risk policy and standard, that must be adhered to by all Group entities. The main requirements are the existence of a risk function, which oversees insurance risk, within all Group entities and which is independent from the insurance pricing department, as well as the existence of a local risk committee to monitor insurance risk, which is required to monitor exposure and discuss trends and developments within the portfolio. Clear authorisation structures are in place for intended launches of and changes in insurance structures and programmes. (Re)insurers are selected based on their financial strength, price, capacity and service and are monitored, in respect of credit ratings, on a quarterly basis. For large fleet requests, entities must refer quotes for fleets above 2,500 units to the Group's Insurance Risk Review Committee, for approval.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Motor insurance risk measurement

The Group monitors the damage and insurance risk acceptance process and the financial performance using actuarial and statistical methods for estimating liabilities and determining adequate pricing levels. Regular analysis of damage, loss ratio statistics, strict compliance with damage handling procedures and policies and, when necessary, reviews of damage and insurance risk pricing ensure a healthy balance between revenues and damages at both an aggregate level and an individual fleet level. The provision for damages is regularly assessed and periodically verified by external actuaries.

The price for acceptance of damage and insurance risk is set in each market based on prevailing local market conditions after determining appropriate levels of reinsurance cover and the expected costs of managing and settling damages. Regular external actuarial assessments support internal actuarial assessments of the individual programme loss ratios, which are influenced by statistical evidence of accident frequency in the local market and the cost per claim of expected and large damages. These support the Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) factors used to determine appropriate reserve levels necessary to meet projected short-tail and long-tail damages.

Under the motor insurance risk policy, Group entities measure and monitor their motor insurance risk exposure by performing a yearly damage and insurance risk self-assessment. On a quarterly basis, LeasePlan Insurance and Group entities measure and report their risk exposures by means of premium developments and loss ratio developments to central management. These loss ratios are consolidated and monitored against the Group's risk appetite.

Specific notes

All amounts are in thousands of euros, unless stated otherwise

1 Recent developments

ALD acquisition and classification of the subsidiaries in Luxembourg, Finland and Czech Republic as held-for-sale

In 2022, LeasePlan's shareholders and LeasePlan signed a Framework Agreement with ALD Automotive and Société Générale to create a leading global player in mobility. On 28 November, it was announced that ALD Automotive has obtained all required merger control clearances for the acquisition of LeasePlan. The last clearance was obtained from the European Commission on 25 November 2022.

The Commission's approval is conditional on the divestiture of the subsidiaries carrying on the full-service leasing and fleet management business of ALD in Portugal, in Ireland and in Norway[1], and of LeasePlan in the Czech Republic, in Finland and in Luxembourg. The subsidiaries in these 3 LeasePlan countries have been classified as held-for-sale as at 30 November 2022. Please refer to ***Note 11*** – Discontinued operations for more information.

We continue to work towards the completion of the proposed merger between LeasePlan and ALD Automotive and expect the transaction to close in the first half of 2023.

Divestment of LeasePlan United States subsidiary

In December 2022, LeasePlan announced the closing of the combination of LeasePlan USA with Wheels Donlen. With its increased scale and investment strength, the new business is set to thrive within the unique US leasing market and accelerate the future of mobility for American drivers. LeasePlan will continue to serve customers in the US through the international Cooperation Agreement signed off with Wheels Donlen.

Ukraine-Russia war

Given the continuing war in Ukraine, LeasePlan has taken the decision to wind down its operations in Russia and will not take any new orders at this time. LeasePlan is committed to taking care of its colleagues and customers in the region throughout this process. Currently, the Group has assessed that there is no material impact on the business of LeasePlan. As at 31 December 2022 LeasePlan's exposure amounts to EUR 54 million (equity and loans). Based on the actual FX rate as of date of publication, the exposure is close to EUR 54 million.

Core leasing business and used-car market

During 2021 an amount of EUR 32.7 million related to the additional impairment of 2020 was released through profit/(loss) on disposal of vehicles and a net amount of EUR 4.6 million impairment reversal was booked related to book value losses on early terminated cars for defaulted operating lease customers.

During 2022, despite the ongoing chip crisis and supply chain disruptions, LeasePlan delivered strong fleet growth. High demand for LeasePlan's mobility services also extended to our used-car offering, including used-car leasing, supporting continued strong used-car results.

Due to the favourable used-car market which led to an increase in the residual values estimates, the Group has booked a prospective depreciation adjustment in the amount of EUR 435 million that decreased the depreciation during the remaining period. In addition, the Group has booked a net impairment reversal of EUR 1 million related to reversal of book value losses on early terminated cars for defaulted operating lease customers and a reversal of the additional impairment of 2020 through profit/(loss) on disposal of vehicles, for an amount of EUR 31 million. During 2022 an amount of EUR 27 million, related to the reversal and utilisation of the existing operating lease impairments, has been booked through profit/(loss) on disposal of vehicles.

Please refer to ***Note 21*** – Property and equipment under operating lease, rental fleet and vehicles available for lease for more information.

[1] *With the exception, in the latter country, of NF Fleet Norway, a company jointly owned by ALD and Nordea.*

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

2 Country by country reporting

This note is pursuant to the 'Besluit uitvoering publicatieverplichtingen richtlijn kapitaalvereisten' that implements articles 89 and 90 of the Capital Requirement Directive (CRD IV). The list of entities is equal to the 'List of principal consolidated participating interests' and 'Principal associates and joint ventures entities that are accounted for under the equity method', except for entities that have been disposed during the period. LeasePlan United States has been divested and LeasePlan Czech Republic, LeasePlan Finland and LeasePlan Luxembourg have been classified as held-for-sale during 2022. Please refer to ***Note 11*** – Discontinued operations.

The amount of government subsidies for 2022 consists mainly of a deduction for Italy of EUR 5.6 million related to super depreciation (2021: EUR 34.2 million), with a tax incentive of EUR 1.4 million (2021: EUR 8.2 million), and a deduction for Netherlands of EUR 4.5 million related to environmental tax credit (2021: EUR 1.3 million), with a tax incentive of EUR 1.2 million (2021: EUR 0.3 million).

2022

Country of activity	Principal subsidiary or participating interest	Main activity	Average FTE (ytd)	Revenues	Profit before tax	Income tax expenses
NETHERLANDS	LeasePlan Corporation N.V.	Holding	2,062	1,297,770	639,361	–143,605
	LeasePlan Finance N.V.	Finance/treasury services				
	LeasePlan Global B.V.	Holding				
	LeasePlan Nederland N.V.	Leasing				
	LeasePlan Digital B.V.	Digital business & services				
	LeasePlan CN Holding B.V.	Holding				
UNITED KINGDOM	LeasePlan UK Limited	Leasing	520	1,308,357	165,245	–29,185
ITALY	LeasePlan Italia S.p.A.	Leasing	511	1,305,204	173,493	–52,487
FRANCE	LeasePlan France S.A.S. PLease S.C.S.[1]	Leasing	465	862,745	127,591	–34,721
SPAIN	LeasePlan Servicios S.A.	Leasing	433	733,596	113,309	–27,321
GERMANY	LeasePlan Servicios S.A.	Leasing	439	849,416	101,835	–32,092
BELGIUM	LeasePlan Fleet Management N.V.	Leasing	268	474,570	60,220	–15,253
PORTUGAL	LeasePlan Portugal Comericio e Aluguer de Automobeis e Equipamentos Uniperssoal Lda. Unipessoal LDA	Leasing	382	440,942	50,432	–14,353
NORWAY	LeasePlan Norge A/S	Leasing	129	383,779	28,016	–6,164
UNITED STATES	LeasePlan USA Inc. (divested in 2022).	Leasing	587	–	–15,690	3,922
SWEDEN	LeasePlan Sverige AB	Leasing	146	189,820	24,379	–5,036
FINLAND	LeasePlan Finland Oy (classified as held-for-sale)	Leasing	98	–2,053	–7,236	1,447
AUSTRIA	LeasePlan Osterreich Fuhrparkmanagement GmbH Flottenmanagement GmbH[1]	Leasing	164	176,044	11,687	–3,131
SWITZERLAND	LeasePlan (Schweiz) AG	Leasing	81	81,383	–246	312
DENMARK	LeasePlan Danmark A/S	Leasing	133	245,753	18,454	–4,052
POLAND	LeasePlan Fleet Management (Polska) Sp.z.o.o.	Leasing	197	211,451	26,966	–7,073
CZECH REPUBLIC	LeasePlan Ceska republika s.r.o. (classified as held-for-sale)	Leasing	169	–6,996	–13,518	2,568
IRELAND	Euro Insurances DAC	Motor insurance	311	138,117	63,475	–10,211
	LeasePlan Fleet Management Services (Ireland) Limited	Leasing				
	LeasePlan Digital B.V. (Dublin Branch)	Digital business & services				
LUXEMBOURG	LeasePlan Luxembourg S.A. (classified as held-for-sale)	Leasing	83	–241	2,325	–135
	LeasePlan Global Procurement	Central procurement services				
GREECE	LeasePlan Hellas S.A.	Leasing	177	181,240	26,985	–4,001
BRAZIL	LeasePlan Brasil Ltda.	Leasing	89	111,757	23,375	–9,745
HUNGARY	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	106	101,693	15,018	–2,655

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

2 Country by country reporting *continued*

Country of activity	Principal subsidiary or participating interest	Main activity	Average FTE (ytd)	Revenues	Profit before tax	Income tax expenses
ROMANIA	LeasePlan Romania S.R.L. LeasePlan Service Center S.R.L.	Leasing Administration services	126	78,435	6,801	–2,867
SLOVAKIA	LeasePlan Slovakia s.r.o.	Leasing	62	62,593	4,639	–979
INDIA	LeasePlan India Private Limited	Leasing	72	78,322	2,401	–99
MEXICO	LeasePlan Mexico S.A. de C.V.	Leasing	169	99,699	13,357	–4,006
RUSSIA	LeasePlan Rus LLC	Leasing	64	52,052	12,476	–3,011
TURKEY	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	189	279,857	136,347	–24,365
UNITED ARAB EMIRATES	LeasePlan Emirates Fleet Management – LeasePlan Emirates LLC[1]	Leasing	–	–	3,233	–
TOTAL AS AT 31 DECEMBER			**8,233**	**9,735,305**	**1,814,730**	**–428,298**

[1] *Investments accounted for using the equity method.*

2021 represented due to discontinued operations

Country of activity	Principal subsidiary or participating interest	Main activity	Average FTE (ytd)	Revenues	Profit before tax	Income tax expenses
NETHERLANDS	LeasePlan Corporation N.V. LeasePlan Finance N.V. LeasePlan Global B.V. LeasePlan Nederland N.V. LeasePlan Digital B.V. CarNext B.V. (divested in 2021) CarNext.com NL B.V. (divested in 2021) LeasePlan CN Holding B.V. PowerD B.V. (divested in 2021)	Holding Finance/treasury services Holding Leasing Digital business & services Holding Used cars Holding Smart charging services	1,859	1,237,795	208,861	–43,481
UNITED KINGDOM	LeasePlan UK Limited	Leasing	534	1,305,008	133,712	–18,296
ITALY	LeasePlan Italia S.p.A. CarNext.com IT S.r.l. (divested in 2021)	Leasing Used cars	525	1,218,844	112,249	–29,654
FRANCE	LeasePlan France S.A.S. PLease S.C.S.[1] CarNext.com FR (divested in 2021)	Leasing Used cars	498	844,081	52,429	–10,527
SPAIN	LeasePlan Servicios S.A.	Leasing	467	590,575	40,163	–9,992
GERMANY	LeasePlan Deutschland GmbH CarNext.com DE GmbH (divested in 2021)	Leasing Used cars	447	802,649	45,260	–15,517
AUSTRALIA	LeasePlan Australia Limited (divested in 2021)	Leasing	247	–	–9,225	863
BELGIUM	LeasePlan Fleet Management N.V. Bizz Nizz BVBA (divested in 2021)	Leasing Digital business & services	274	444,742	51,855	–13,243
PORTUGAL	LeasePlan Portugal Comericio e Aluguer de Automobeis e Equipamentos Uniperssoal Lda. CNEXT Marketplace PT, Unipessoal LDA (divested in 2021)	Leasing Used cars	406	422,512	30,205	–7,132
NORWAY	LeasePlan Norge A/S CarNext.com NO A/S (divested in 2021)	Leasing Used cars	140	359,135	21,837	–4,804
UNITED STATES	LeasePlan USA Inc.[2] divested in 2022)	Leasing	576	–	–11,323	2,831
SWEDEN	LeasePlan Sverige AB	Leasing	141	207,108	10,266	–2,140
FINLAND	LeasePlan Finland Oy[3]	Leasing	99	–2,193	–6,102	1,220

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

2 Country by country reporting *continued*

Country of activity	Principal subsidiary or participating interest	Main activity	Average FTE (ytd)	Revenues	Profit before tax	Income tax expenses
AUSTRIA	LeasePlan Osterreich Fuhrparkmanagement GmbH Flottenmanagement GmbH[1]	Leasing	168	174,826	3,547	−879
SWITZERLAND	LeasePlan (Schweiz) AG	Leasing	77	79,260	765	45
DENMARK	LeasePlan Danmark A/S	Leasing	126	236,974	10,350	−2,187
POLAND	LeasePlan Fleet Management (Polska) Sp.z.o.o.	Leasing	187	203,706	9,736	−819
CZECH REPUBLIC	LeasePlan Ceska republika s.r.o.[3]	Leasing	165	−8,468	−13,736	2,610
NEW ZEALAND	LeasePlan New Zealand Limited (divested in 2021)	Leasing	62	–	−2,474	–
IRELAND	Euro Insurances DAC LeasePlan Information Services Limited LeasePlan Fleet Management Services (Ireland) Limited	Motor insurance Information services Leasing	302	126,809	84,901	−10,858
LUXEMBOURG	LeasePlan Luxembourg S.A.[3] LeasePlan Global Procurement	Leasing Central procurement services	82	−177	2,398	127
GREECE	LeasePlan Hellas S.A.	Leasing	162	162,617	20,693	−3,847
BRAZIL	LeasePlan Brasil Ltda.	Leasing	94	67,438	14,961	−5,258
HUNGARY	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	99	92,496	8,188	−1,669
ROMANIA	LeasePlan Romania S.R.L. LeasePlan Service Center S.R.L.	Leasing Administration services	150	71,812	1,120	−468
SLOVAKIA	LeasePlan Slovakia s.r.o.	Leasing	61	66,026	3,382	−714
INDIA	LeasePlan India Private Limited	Leasing	72	71,159	−819	225
MEXICO	LeasePlan Mexico S.A. de C.V.	Leasing	164	72,535	9,445	−2,835
RUSSIA	LeasePlan Rus LLC	Leasing	66	38,729	7,957	−1,810
TURKEY	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	186	204,625	70,826	−16,519
UNITED ARAB EMIRATES	LeasePlan Emirates Fleet Management – LeasePlan Emirates LLC[1]	Leasing	–	–	1,959	–
TOTAL AS AT 31 DECEMBER			**8,416**	**9,137,582**	**939,922**	**−201,276**

[1] *Investments accounted for using the equity method.*
[2] *Companies divested during 2022 and represented due to discontinued operations.*
[3] *Companies classified as held-for-sale during 2022 for which the sale is expected to complete during 2023.*

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

3 Segment information

LeasePlan's core business activity consists of providing leasing and fleet management services, including the purchase, financing, insurance, maintenance and remarketing of vehicles, to external customers. The Group offers a mono-line product through all its LeasePlan subsidiaries allowing for some differentiation based on the maturity of local markets. The Group's key management is responsible for allocating resources to the segments and assesses its performance.

In December 2022 LeasePlan United States was sold and from June 2022 was also classified as a discontinued operation and is presented under a separate caption of the Profit or loss (Net result from discontinued operations) in the tables below (see ***Note 11***). LeasePlan United States is included in the segment Rest of the world.

As at 30 November 2022, LeasePlan Czech Republic, LeasePlan Finland and LeasePlan Luxembourg have been classified as a discontinued operation and are presented under a separate caption of the Profit or loss (Net result from discontinued operations) in the tables below (see ***Note 11***). All of them are included in the segment Europe.

In 2021 LeasePlan Australia, LeasePlan New Zealand and CarNext B.V. and its subsidiaries were sold and were also classified as discontinued operations (the Australian and New Zealand businesses as per 31 March and CarNext B.V. as per 30 June 2021) and are similarly presented under a separate caption of the Profit and Loss (Net result for discontinued operations) in the tables below. LeasePlan Australia and LeasePlan New Zealand were included in the segment Rest of the world and CarNext B.V. was included in the segment Europe.

Segments

The Group identified Europe and Rest of the world as reportable segments (please refer to ***Note S*** – Segment reporting). Operating segments are reported in accordance with the internal reporting provided to the Group's key management.

Europe

Geographies in this segment are all European countries where the Group operates including Turkey, Russia and United Arab Emirates. The Czech Republic, Finland and Luxembourg are included in discontinued operations as at 31 December 2022.

Rest of the world

Geographies in this segment are Brazil, India, Mexico and the United States. The United States is included in discontinued operations as per 30 June 2022. In 2021 Australia and New Zealand were included in this segment under the discontinued operations caption.

The performance of the segments is measured based on the combination of IFRS and Alternative Performance Measures, such as serviced fleet, revenue and underlying net result. The Alternative Performance Measures are obtained from the internal system of management accounting. This provides management with a comprehensive view of the performance of the segments. Inter-segment transactions are at arm's length and not presented separately given their insignificance. All revenue is from external customers.

The segment information is presented in the table below.

	Europe		Rest of the world		Total	
In millions of euros	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Serviced fleet (in thousands) at period end	1,552	1,473	77	332	1,628	1,805
REVENUES	**9,447**	**8,930**	**288**	**207**	**9,735**	**9,138**
Finance lease and Other interest income	160	60	–1	1	159	61
Finance cost	272	233	36	26	308	259
Car and other depreciation and amortisation	2,666	2,950	74	65	2,741	3,015
Underlying taxes	362	179	16	5	378	183
UNDERLYING NET RESULT FROM CONTINUING OPERATIONS	**1,242**	**695**	**35**	**4**	**1,277**	**699**
Underlying net result from discontinued operations	65	–3	75	66	140	63
UNDERLYING NET RESULT	**1,307**	**692**	**111**	**71**	**1,418**	**763**
Total assets	33,620	29,606	901	2,644	34,520	32,250
Total liabilities	28,212	25,178	740	2,292	28,952	27,470

The table below presents information about the major countries in which the Group is active. The Netherlands is the domicile country of the Group.

	FTE's (average)		Underlying revenues		Lease contracts	
	Units		In millions of euros		In millions of euros	
Country of activity	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
United Kingdom	520	534	1,308	1,305	3,028	3,134
Italy	511	525	1,305	1,219	2,278	2,100
Netherlands	2,062	1,859	1,298	1,238	3,326	2,955
Other	5,139	5,498	5,824	5,376	12,518	13,925
AS AT 31 DECEMBER	**8,233**	**8,416**	**9,735**	**9,138**	**21,150**	**22,114**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

3 Segment information *continued*

Alternative Performance Measures

In addition to IFRS financial measures, the Group uses certain Alternative Performance Measures to present and discuss our underlying performance and value creation. To arrive at Underlying net result, Net result is adjusted for impacts related to unrealised results on financial instruments, asset impairments and valuation allowance, gain on sale of subsidiaries, restructuring expenses and other special items (like consultancy costs) which arise from events or transactions that management considers distinct from regular operating activities.

The reconciliation from IFRS measures to Alternative Performance Measures for 2022 and 2021 is included in the tables below:

	IFRS results 31 December 2022	Underlying adjustments			Underlying results 31 December 2022
		Restructuring and other special items[1]	Unrealised results on financial instruments[2]	Asset impairments and valuation allowance[3]	
REVENUES	**9,735,305**				**9,735,305**
Direct cost of revenues	6,917,337	–	247,258	31,061	7,195,656
GROSS PROFIT	**2,817,968**	**–**	**–247,258**	**–31,061**	**2,539,649**
Total operating expenses	958,772	–70,171		6,469	895,070
Other income	–50,649		55,106		4,458
Share of profit of investments accounted for using the equity method	6,182				6,182
PROFIT BEFORE TAX	**1,814,730**	**70,171**	**–192,151**	**–37,530**	**1,655,220**
Income tax expenses	428,298	23,131	–64,155	–9,504	377,769
NET RESULT FROM CONTINUING OPERATIONS	**1,386,432**	**47,040**	**–127,996**	**–28,026**	**1,277,450**
Net result from discontinued operations	548,960	–408,787	–		140,173
NET RESULT FOR THE PERIOD	**1,935,392**	**–361,746**	**–127,996**	**–28,026**	**1,417,623**

[1] *Includes professional consultancy costs related to ECB transition (EUR 44.9 million) and other consulting (EUR 25.2 million) for a total of EUR 70.1 million before tax (EUR 47.1 million after tax). EUR 408.8 million included in Net result from discontinued operations relates to EUR 409.5 million gain on sale of subsidiaries and associates and EUR 0.8 million of allocated costs and professional consultancy costs of the discontinued businesses reclassified to this caption.*

[2] *Includes EUR 55.1 million fair value loss on equity instruments included in other income.*

[3] *Includes lease contracts impairment reversals for a total of EUR 31.1 million before tax and impairment release on fixed assets for EUR 6.5 million for a total before tax of EUR 37.5 million (EUR 28.0 million after tax).*

	IFRS results 31 December 2021	Underlying adjustments			Underlying results 31 December 2021
		Restructuring and other special items[1]	Unrealised results on financial instruments	Asset impairments and valuation allowance[2]	
REVENUES	**9,137,582**				**9,137,582**
Direct cost of revenues	7,356,465	–	90,956	–	7,447,422
GROSS PROFIT	**1,781,117**	**–**	**–90,956**	**–**	**1,690,161**
Total operating expenses	826,969	–22,794		–2,088	802,087
Other income	–8,706		8,706		–
Share of profit of investments accounted for using the equity method	–5,520				–5,520
PROFIT BEFORE TAX	**939,922**	**22,794**	**–82,250**	**2,088**	**882,554**
Income tax expenses	201,276	5,355	–23,066	522	184,088
NET RESULT FROM CONTINUING OPERATIONS	**738,645**	**17,439**	**–59,184**	**1,566**	**698,466**
Net result from discontinued operations	278,514	–206,396	–4,442	–3,579	64,096
NET RESULT FOR THE PERIOD	**1,017,159**	**–188,957**	**–63,627**	**–2,013**	**762,562**

[1] *Includes professional consultancy costs related to CarNext (EUR 8.3 million) and other consulting (EUR 14.5 million) for a total of EUR 22.8 million before tax (EUR 17.4 million after tax). EUR 206.4 million (net of tax) included in Net result from discontinued operations relates to EUR 224.5 million of gain on sale of subsidiaries and associates and EUR 17.7 million of allocated costs and professional consultancy costs of CarNext B.V. reclassified to this caption.*

[2] *Includes EUR 2.1 million impairment charge on non-current assets (EUR 1.6 million after tax). EUR 3.6 million included in Net result from discontinued operations refers to lease contracts impairment reversal on defaulted operating lease customers reclassified to this caption since related to a discontinued business in 2022.*

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

4 Revenues and direct cost of revenues

Revenues

Revenues comprise the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. In general, lease and additional services are provided, invoiced and paid on a monthly basis. The vehicles sold are in general paid before the vehicle is transferred to the customer.

	2022	2021
Operating lease income	3,919,754	3,726,287
Finance lease and other interest income	158,846	61,140
Additional services income	2,342,508	2,069,962
Vehicle sales and End of contract fees	3,314,198	3,280,194
REVENUES	**9,735,305**	**9,137,582**

Finance lease and other interest income includes an amount of EUR 11.6 million (2021: EUR 9.7 million) related to Other interest income and includes a gain/loss of EUR 66 million on the net monetary position in the reporting period due to hyperinflation accounting of LeasePlan Turkey (for more information please refer to Basis of preparation).

The Group uses a business function based approach in presenting its revenue streams. Gains and losses upon derecognition of financial assets and those arising from modification of finance lease contracts are not separately disclosed given the undue cost and effort required to produce this information.

Operating lease income includes an amount of EUR 704.8 million (2021: EUR 640.8 million) related to the interest component.

Direct cost of revenues

Direct cost of revenues comprises the costs associated with providing the above-mentioned lease and additional services, the sale of vehicles and related finance cost and impairment charges.

	Note	2022	2021
Depreciation cars[1]		2,643,048	2,941,690
Impairment operating lease assets[2]	*21*	−32,210	−4,547
Finance cost		295,299	259,179
Unrealised (gains)/losses on financial instruments		−235,755	−75,602
Impairment charges on loans and receivables		13,643	26,780
LEASE COST		**2,684,025**	**3,147,501**
Additional services cost		1,521,093	1,323,347
Vehicle and disposal costs		2,712,219	2,885,617
DIRECT COST OF REVENUES		**6,917,337**	**7,356,465**

[1] *Includes the impact of prospective depreciation as a result of changes in estimates related to used-car market, in total amount of EUR 435 million (2021: EUR nil).*
[2] *Impairment operating lease assets is included in the line item Depreciation cars in the consolidated statement of profit or loss.*

Gross profit (net lease income and vehicle sales income)

The gross profit (revenues less cost of revenues) can be shown as follows:

	Note	2022	2021
Lease services		1,126,609	559,777
Impairment operating lease assets[1]	*21*	32,210	4,547
Unrealised gains/(losses) on financial instruments		235,755	75,602
LEASE		**1,394,575**	**639,926**
Fleet management and other services		190,563	164,136
Repair and maintenance services		284,575	257,592
Damage services and insurance		346,277	324,886
ADDITIONAL SERVICES		**821,415**	**746,614**
End of contract fees		110,709	115,436
Profit/(loss) on disposed vehicles (PLDV)		491,269	279,141
PROFIT/(LOSS) ON DISPOSED VEHICLES AND END OF CONTRACT FEES		**601,979**	**394,577**
GROSS PROFIT		**2,817,968**	**1,781,117**

[1] *Impairment operating lease assets is included in the line item Depreciation cars in the consolidated statement of profit or loss.*

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

4 Revenues and direct cost of revenues *continued*

Net finance income

As part of the analysis of the revenues and direct cost of revenues LeasePlan also considers net finance income as a relevant metric for financial reporting purposes. The Net finance income is presented below:

	2022	2021
Operating lease – interest income	704,823	640,805
Finance lease and other interest income	158,846	61,140
Finance cost	–295,299	–259,179
NET INTEREST INCOME	**568,369**	**442,766**
Unrealised gains/(losses) on financial instruments	235,755	75,602
Impairment charges on loans and receivables	–13,643	–26,780
NET FINANCE INCOME	**790,482**	**491,588**

5 Impairment charges on loans and receivables

Net impairment charges can be detailed as follows:

	Note	2022	2021
LEASE RECEIVABLES FROM CLIENTS			
Net charge		15,202	26,733
Recovery after write-off		–786	–283
SUBTOTAL IMPAIRMENT LEASE RECEIVABLE FROM CLIENTS	*20*	**14,416**	**26,450**
Other		–319	–807
		14,097	**25,643**
Reclaimable damages		1,118	–387
Rebates and bonuses		–1,573	1,524
TOTAL IMPAIRMENT CHARGES ON LOANS AND RECEIVABLES		**13,643**	**26,780**

6 Staff expenses

	2022	2021
Wages and salaries	408,361	390,762
Social security charges and taxes	66,621	65,042
Defined contribution pension costs	21,717	19,731
Defined benefit post-employment costs	2,768	2,307
Other staff expenses	101,696	–5,242
TOTAL	**601,162**	**472,599**

The average number of staff (FTEs) employed (including temporary staff) by the Group at the end of the year was 8,233 (2021: 8,416 of whom 576 employed in entities divested in 2022), of whom 2,062 (2021: 1,859) were employed in the Netherlands. At 31 December the total number of staff employed by the Group was 7,876 (2021: 8,102 of whom 599 employed in entities divested in 2022).

The breakdown of pension and post-employment costs is as follows:

	Note	2022	2021
Current service cost	*31*	2,460	2,521
Interest expense/(income)	*31*	197	174
Curtailments and settlements	*31*	110	–259
Defined benefit post-employment costs		2,768	2,435
Defined contribution pension costs		21,717	19,731
TOTAL PENSION AND POST-EMPLOYMENT COSTS		**24,484**	**22,166**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

7 Other operating expenses

The breakdown of other operating expenses is as follows:

	2022	2021
Professional services expenses	208,546	221,228
Facilities	21,856	17,455
Marketing and sales	25,896	26,446
Other general and administrative expenses	9,169	8,719
TOTAL	**265,468**	**273,847**

Lower professional services expenses are mainly driven by lower IT and other consultancy (EUR 26.4 million lower), partly offset by higher software licence costs (EUR 13.0 million higher). Other general and administrative expenses include travel and entertainment expenses and non-profit related tax.

8 Other depreciation and amortisation

	Note	2022	2021
Depreciation and impairment other property and equipment	*22*	43,680	50,141
Amortisation and impairment of intangible assets	*24*	48,461	30,382
TOTAL		**92,142**	**80,523**

In 2022, a total amount of EUR 6.1 million (2021: EUR 3.2 million) has been recognised as net impairment reversal, of which EUR 1.8 million impairment charge related to IT projects and software (2021: EUR 3.6 million) and EUR 7.7 million net impairment reversal for right-of-use assets related to offices, CarNext retail buildings and other tangible fixed assets (2021: impairment charge of EUR 0.4 million).

Please refer to ***Note 22*** – Other property and equipment for the disclosure related to the impairment reversal recognised on right-of-use assets.

9 Other income

This caption includes the negative fair value adjustment on the investment in equity instruments related to SG Fleet Group and Constellation Group for an amount of EUR 55.1 million (2021: EUR 8.7 million) and the dividend income of EUR 4.5 million from these investments.

10 Income tax expenses

The income tax expenses in the statement of profit or loss can be shown as follows:

	2022	2021
Current tax		
Current tax on profits for the year	256,965	133,378
Adjustments in respect of prior years	−7,395	1,992
TOTAL CURRENT TAX	**249,570**	**135,371**
Deferred tax		
Origination and reversal of temporary differences	188,461	81,956
Changes in tax rates	−8,076	−15,296
Adjustments in respect of prior years	−1,657	−754
TOTAL DEFERRED TAX	**178,728**	**65,906**
TOTAL	**428,298**	**201,276**

The revaluation of LeasePlan's deferred tax positions in certain countries is caused by changes in tax rates, primarily in Turkey and the United Kingdom.

The deferred tax adjustments in respect of prior years mainly include: (i) movement in the deferred tax assets in relation to unrecognised tax losses and unrecognised tax credits resulting in a tax credit of EUR 1.9 million (2021: tax credit of EUR 0.3 million) and (ii) a tax charge of EUR 3.1 million mainly due to adjustments in respect of prior years (2021: a tax credit of EUR 1.2 million).

Further information on deferred tax assets and liabilities is presented in ***Note 25***.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

10 Income tax expenses *continued*

Effective tax rate reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic nominal tax rate of the domicile country (25.8%) of the parent and is as follows:

	%	2022	%	2021
PROFIT BEFORE TAX:		**1,814,730**		**939,922**
Tax calculated at domicile country nominal tax rate	25.8%	468,200	25.0%	234,980
Effect of different tax rates in foreign countries		–21,778		–5,834
WEIGHTED AVERAGE TAXATION	**24.6%**	**446,422**	**24.4%**	**229,146**
Income not subject to tax		–5,473		–15,439
Expenses not deductible for tax purposes		4,477		1,627
Changes in tax rates		–8,076		–15,296
Adjustments in respect of prior years:				
Current tax		–7,395		1,992
Deferred tax		–1,657		–754
TOTAL EFFECTIVE TAXATION	**23.6%**	**428,298**	**21.4%**	**201,276**

The weighted average of the local tax rates applicable to the Group for 2022 is 24.6% (2021: 24.4%), which is lower than the domicile country nominal tax rate of 25.8% predominantly as a result of the fact that the Group realises on average relatively more profits in jurisdictions with a tax rate lower than 25.8%.

Income not subject to tax over 2022 includes the effect of the temporary tax facility in Italy resulting in extra fiscal depreciation on new investments, the deduction of interest on the AT1 instrument and the results of subsidiaries which are excluded under the Dutch participation exemption.

The tax charge/credit relating to components of other comprehensive income is as follows:

	2022			2021		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	–	–	–	1,744	–436	1,308
Post-employment benefit reserve	11,555	–3,032	8,523	1,415	–309	1,107
Exchange rate differences	–66,508	–	–66,508	–8,905	–	–8,905
TOTAL	**–54,953**	**–3,032**	**–57,985**	**–5,745**	**–745**	**–6,490**

11 Discontinued operations

As per 30 June 2022 LeasePlan presents the subsidiary LeasePlan United States as discontinued operation. On 1 December 2022 LeasePlan United States was sold.

Wheels Donlen's parent company, in which Athene Holding Ltd is the lead investor, signed a Stock Purchase Agreement with LeasePlan Corporation to acquire LeasePlan USA, and subsequently combine the business with Wheels Donlen to create a unified fleet management business. As part of this transaction, LeasePlan USA and LeasePlan Corporation entered into a Cooperation Agreement to deliver global fleet management services to both companies' international clients following the completion of the transaction.

As per 30 November 2022 LeasePlan presents the subsidiaries LeasePlan Czech Republic, LeasePlan Finland and LeasePlan Luxembourg as discontinued operations. The sales are expected to be completed during 2023. For more information related to the classification as held-for-sale, please refer to ***Note 1*** – Recent developments.

In 2021 LeasePlan reported three discontinued operations: CarNext B.V. and its subsidiaries, which were sold on 1 July 2021, LeasePlan Australia and LeasePlan New Zealand, which were divested on 1 September 2021.

The comparative condensed consolidated statement of profit or loss and other comprehensive income have been re-presented to show the discontinued operations separately from continuing operations.

The profit of the period is attributable entirely to the owners of the company:

In thousands of euros	2022	2021
EXTERNAL REVENUES	**917,180**	**1,246,794**
EXTERNAL EXPENSES	**739,492**	**1,186,543**
Income tax expenses	–38,210	–6,295
RESULTS FROM OPERATING ACTIVITIES	**139,479**	**53,956**
Gain on sale of discontinued operations, after tax[1]	409,481	224,558
NET RESULT FROM DISCONTINUED OPERATIONS	**548,960**	**278,514**

[1] *Includes EUR 409 million gain on the divestment of LeasePlan United States (2021: EUR 130 million gain on the divestment of LeasePlan Australia and New Zealand and EUR 95 million gain arising from the carve-out of CarNext).*

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

11 Discontinued operations *continued*

Cash flow from (used in) discontinued operations:

	2022	2021
Net cash inflow/(outflow) from operating activities	177,745	129,250
Net cash inflow/(outflow) from investing activities	460,078	297,801
Net cash inflow/(outflow) from financing activities	−34,533	−139,570
NET MOVEMENT IN CASH AND BALANCES WITH BANKS	**603,289**	**287,481**

Composition of gain on sale of discontinued operations for LeasePlan United States:

	2022
Consideration received	
Cash	467,155
Deferred payment	233,092
Net asset value and related costs of discontinued operations	−290,766
GAIN ON SALE OF SUBSIDIARIES[1]	**409,481**

[1] *Tax exempt.*

12 Cash flow statement supplementary information

Changes in liabilities arising from financing activities are shown in the table below.

			Movements in 2022			
	Note	Balance as at 1 January	Financing cash flows	Foreign exchange adjustment	Other non-cash movements	Balance as at 31 December
Borrowings from financial institutions	*29*	3,164,355	29,025	−7,341	−286,089	2,899,950
Funds entrusted	*27*	10,334,671	517,607	–	–	10,852,278
Debt securities issued	*30*	9,401,924	32,040	−7,755	−370,994	9,055,215

			Movements in 2021			
	Note	Balance as at 1 January	Financing cash flows	Foreign exchange adjustment	Other non-cash movements	Balance as at 31 December
Borrowings from financial institutions	*29*	3,388,314	−76,422	26,018	−173,555	3,164,355
Funds entrusted	*27*	9,212,495	1,122,175	–	–	10,334,671
Debt securities issued	*30*	10,084,252	−316,698	111,332	−476,962	9,401,924

Please note that for Borrowings from financial institutions, the supplemental cash flow information excludes bank overdrafts (see ***Note 13***).

13 Cash and cash equivalents

The breakdown of cash and cash equivalents for the purpose of the statement of cash flows is as follows:

	Note	2022	2021
Cash and balances at central banks		7,117,329	5,447,685
Deposits with banks		473,071	387,268
Call money, cash at banks	*15*	155,556	186,903
Bank overdrafts	*29*	−132,370	−159,656
CASH AND CASH EQUIVALENTS EXCLUDING THOSE RELATED TO ASSETS HELD-FOR-SALE		**7,613,586**	**5,862,200**
Cash and cash equivalents related to assets held-for-sale		−22,132	–
BALANCE AS AT 31 DECEMBER FOR THE PURPOSE OF THE STATEMENT OF CASH FLOWS		**7,591,454**	**5,862,200**

All cash and balances at (central) banks are available at call except for the mandatory reserve deposits at the Dutch Central Bank. A monetary policy instrument of the European Central Bank is the minimum reserve requirement, whereby credit institutions in the euro area are obliged to maintain a specified average amount of cash reserves – the so-called minimum reserves – with their respective national banks for successive periods of four to five weeks. The cash reserve requirements serve to create a liquidity shortage in the euro area, so that banks depend on the European Central Bank's liquidity-providing mechanism for their liquidity needs. The mandatory reserve deposits amounting to EUR 99 million (2021: EUR 98 million) form part of 'Cash and balances at central banks'.

Cash and balances at central banks increased over the period, mainly as a consequence of the Group's activities to secure the liquidity position.

The average interest rate on the outstanding cash and balances at central banks is 2.0% (2021: −0.5%).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

14 Investments in equity and debt securities

This item includes bonds and notes held at amortised cost and equity instruments measured at fair value through profit or loss.

	Note	2022	2021
Bonds and Notes held at amortised cost		44,422	43,394
Equity instruments at fair value (through profit and loss)	*9*	78,719	133,826
BALANCE AS AT 31 DECEMBER		**123,141**	**177,220**

The equity instruments caption includes the interest in SG Fleet Group and the interest in Constellation Automotive Holdings S.a.r.l..

The equity investments in SG Fleet are publicly traded and have a level 1 fair valuation.

The equity interest in Constellation Automotive Holdings S.a.r.l. has a level 3 fair valuation since more than an insignificant part of the inputs in terms of the overall valuation are not market observable.

Please refer to ***Note 38*** – Fair value of financial instruments for more information on the valuation and related assumptions.

15 Receivables from financial institutions

This caption includes amounts receivable from Dutch and foreign banks. Amounts receivable from financial institutions includes call money and current account bank balances that form part of the cash and balances with banks in the cash flow statement.

	Note	2022	2021
Deposits with banks		473,071	387,268
Call money, cash at banks	*13*	155,556	186,903
Cash collaterals deposited for securitisation transactions		30,815	56,429
Cash collaterals deposited for derivative financial instruments		224,067	53,128
Other cash collateral deposited		4,003	3,923
BALANCE AS AT 31 DECEMBER		**887,511**	**687,651**

The cash collateral deposited for securitisation transactions relates to the Bumper securitisation transactions. The cash collateral deposited for derivative financial instruments originates from Credit Support Annexes (CSAs) to International Swaps and Derivatives Association (ISDA) master agreements and reference is made to the Financial risk paragraph (strategy in using financial instruments).

The average interest rate on the receivables from financial institutions is 3.4% (2021: −0.3%).

The receivables from financial institutions all reside in Stage 1, and there is no significant increase in credit risk as at 31 December 2022. The provision for expected credit losses amounts to EUR 0.4 million (2021: EUR 0.4 million).

The maturity analysis is as follows:

	2022	2021
Three months or less	825,952	632,563
Longer than three months, less than a year	33,376	31,189
Longer than a year, less than five years	28,146	23,866
Longer than five years	37	34
BALANCE AS AT 31 DECEMBER	**887,511**	**687,651**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

16 Derivative financial instruments

Below is a summary disclosure of the hedging instruments. The carrying amounts of all hedging instruments of the Group are included in the balance sheet line item 'Derivative financial instruments' for both asset and liability positions.

Hedging gains or losses are recognised in the statement of profit or loss in the caption 'Unrealised gains/(losses) on financial instruments'. Below the impact is shown of hedging gains or losses including the de-designation adjustment which for 2022 is nil (2021: EUR 0.7 million).

Hedging instruments

	31 December 2022						
		Fair value					
	Notional amounts	Assets	Liabilities	Change in FV used in calculating hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amounts reclassified from the hedge reserve to profit or loss	Hedge ineffectiveness recognised on hedge relationships, in profit or loss
FAIR VALUE HEDGE							
Interest rate swaps	5,499,097	771	380,404	−373,261			−1,332
Cross currency swaps/forwards	52,031	–	4,991	−1,202			−70
TOTAL DERIVATIVES IN HEDGE	**5,551,128**	**771**	**385,395**	**−374,463**	**–**	**–**	**−1,402**
Interest rate swaps	21,237,093	363,898	122,362	183,618			
Cross currency swaps/forwards	5,398,343	180,471	42,074	53,183			
TOTAL DERIVATIVES NOT IN HEDGE	**26,635,437**	**544,369**	**164,436**	**236,801**	**–**	**–**	**–**
TOTAL	**32,186,564**	**545,140**	**549,831**	**−137,662**	**–**	**–**	**−1,402**

	31 December 2021						
		Fair value					
	Notional amounts	Assets	Liabilities	Change in FV used in calculating hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amounts reclassified from the hedge reserve to profit or loss	Hedge ineffectiveness recognised on hedge relationships, in profit or loss
FAIR VALUE HEDGE							
Interest rate swaps	6,774,611	51,715	40,147	−91,482			1,514
Cross currency swaps/forwards	78,263	–	2,862	−1,489			−17
CASH FLOW HEDGES							
Interest rate swaps	–	–	–	1,729	1,744	−1,729	15
TOTAL DERIVATIVES IN HEDGE	**6,852,875**	**51,715**	**43,009**	**−91,242**	**1,744**	**−1,729**	**1,512**
Interest rate swaps	26,664,647	56,840	24,717	79,984	–	–	–
Cross currency swaps/forwards	4,718,169	67,612	40,692	−1,137	–	–	–
TOTAL DERIVATIVES NOT IN HEDGE	**31,382,815**	**124,451**	**65,409**	**78,847**	**–**	**–**	**–**
TOTAL	**38,235,690**	**176,167**	**108,417**	**−12,395**	**1,744**	**−1,729**	**1,512**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

16 Derivative financial instruments *continued*

Hedged items

Below is a summary disclosure of the hedged items. A number of fixed rate bonds included in fair value hedges are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the interest rate being hedged.

	31 December 2022				
		Fair value			
	Notional amounts	Assets	Liabilities	Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH[1] adjustment included in the carrying amount
FAIR VALUE HEDGE					
Interest rate swaps	5,499,097		5,158,004	371,929	363,508
Cross currency swaps/forwards	47,597		47,179	1,132	917
TOTAL DERIVATIVES IN HEDGE	**5,546,694**	**–**	**5,205,183**	**373,061**	**364,425**

	31 December 2021				
		Fair value			
	Notional amounts	Assets	Liabilities	Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH[1] adjustment included in the carrying amount
FAIR VALUE HEDGE					
Interest rate swaps	6,774,611	–	6,804,202	92,996	–8,421
Cross currency swaps/forwards	74,298	–	75,377	1,472	–215
TOTAL DERIVATIVES IN HEDGE	**6,848,910**	**–**	**6,879,578**	**94,467**	**–8,636**

[1] *FVH Fair value hedge – CFH Cash flow hedge.*

17 Other receivables and prepayments

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, rebates and bonuses receivable, as well as to amounts that are not classified under any other asset.

The majority of the other receivables and prepayments have a remaining maturity of less than one year.

	2022	2021
Rebates and bonuses and commissions receivable	290,264	298,886
Prepaid lease related expenses	191,737	234,736
VAT and other taxes	131,057	125,590
Reclaimable damages	39,547	37,880
Other prepayments and accrued income	217,614	214,112
Interest to be received	2,560	1,613
Reinsurance assets	38,186	39,357
Other receivables	349,857	84,631
BALANCE AS AT 31 DECEMBER	**1,260,822**	**1,036,805**

Balances written-off from other receivables were not significant for the years 2022 and 2021.

The Expected Credit Losses for Rebates and bonuses and commission receivable, Reclaimable damages and Reinsurance assets amount to EUR 6 million (2021: EUR 7 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

18 Inventories

	Note	2022	2021
Cars and trucks from terminated lease contracts	*21*	261,397	280,463
Valuation allowance		–1,102	–1,102
CARRYING AMOUNT CARS AND TRUCKS FROM TERMINATED LEASE CONTRACTS		**260,295**	279,361
New cars and trucks in stock		4,754	57,184
Other inventories		–	34,061
BALANCE AS AT 31 DECEMBER		**265,049**	370,605

In line with our expectations, the beneficial pricing of the used-car market continued in 2022.

The valuation allowance for inventory was stable, compared to 2021, at EUR 1.1 million, or 0.4% of the gross book value of cars and trucks from terminated lease contracts. The allowance represents the impact of the write down to the lower net realisable value of the inventories. The release is booked on the Vehicle and disposal costs report line in the Direct cost of revenues.

The decrease of EUR 34 million in the other inventories is related to the sale of LeasePlan United States during 2022.

The sensitivity of an additional 1% decline in used-car prices does not translate into an additional allowance for inventory. The 1% decline is not a linear variable.

19 Loans to investments accounted for using the equity method

The loans to investments accounted for using the equity method are accounted for at amortised cost (less impairment) and the maturity analysis is as follows:

	2022	2021
Loans deposited	110,500	200,000
CARRYING AMOUNT AS AT 31 DECEMBER	**110,500**	**200,000**

	2022	2021
Three months or less	19,000	24,500
Longer than three months, less than a year	52,000	65,000
Longer than a year, less than five years	39,500	110,500
BALANCE AS AT 31 DECEMBER	**110,500**	**200,000**

No impairment recognised in 2022 (nil in 2021).

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 111 million (2021: EUR 200 million) out of which the drawn amount is EUR 111 million (2021: EUR 200 million) as at 31 December.

20 Lease receivables from clients

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for impairment, where necessary.

	2022	2021
Amounts receivable under finance lease contracts	1,456,136	2,784,194
Trade receivables	641,854	791,454
Impairment	–52,760	–82,667
BALANCE AS AT 31 DECEMBER	**2,045,230**	**3,492,981**

The maturity analysis is as follows:

	2022	2021
Three months or less	759,216	1,143,727
Longer than three months, less than a year	360,758	834,098
Longer than a year, less than five years	967,913	1,583,329
Longer than five years	10,103	14,493
Impairment	–52,760	–82,667
BALANCE AS AT 31 DECEMBER	**2,045,230**	**3,492,981**

Reference to the fair value of the receivables is made in ***Note 38*** – Fair value of financial instruments.

Trade receivables represent unpaid, current lease receivables under existing operating lease contracts or receivables related to inventory sales.

The impairment allowance of EUR 52.8 million (2021: EUR 82.7 million) includes EUR 5.6 million (2021: EUR 6.5 million) related to invoices under commercial disputes and EUR 47.2 million (2021: EUR 76.2 million) of expected credit loss (ECL) recognised under IFRS 9.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

20 Lease receivables from clients *continued*

Impairment allowance

The ECL allowances include lifetime expected credit losses amounting to EUR 12.5 million (year-end 2021: EUR 19.7 million) for non-credit impaired lease receivables and EUR 34.7 million (year-end 2021: EUR 56.5 million) for credit impaired lease receivables. In 2022, changes in the ECL allowance relate to three main sources: exclusion of several subsidiaries (please see ***Note 11*** – Discontinued operations), reduction of management ECL overlay and increased prices of used cars, which serve as the key collateral.

The table below summarises the movements in the expected credit loss allowances related to lease receivables.

Changes in loss allowance	Lease receivables from clients that are not credit impaired	Lease receivables from clients that are credit impaired	Total
BALANCE AS AT 1 JANUARY 2021	**16,841**	**61,425**	**78,266**
Transfers (credit impaired vs non-credit impaired)	–987	987	–
Sale of subsidiaries	864	23	887
Increases due to origination and acquisition of lease contracts	3,622	–	3,622
Decreases due to derecognition of lease contracts	–	–9,476	–9,476
Changes due to change in credit risk (net remeasurement)	–867	26,788	25,921
Decrease in allowance due to write-offs	–	–24,237	–24,237
Currency translation adjustments and other	210	996	1,206
BALANCE AS AT 31 DECEMBER 2021	**19,683**	**56,506**	**76,188**
Adjustment for hyperinflation	–	33	33
Transfers (credit impaired vs non-credit impaired)	–5,047	5,047	–
Sale of subsidiaries/discontinued operations	–3,389	–5,416	–8,805
Increases due to origination and acquisition of lease contracts	2,409	–	2,409
Decreases due to derecognition of lease contracts		–6,674	–6,674
Changes due to change in credit risk (net remeasurement)	–1,026	11,197	10,171
Decrease in allowance due to write-offs	–	–25,689	–25,689
Currency translation adjustments and other	–153	–324	–477
BALANCE AS AT 31 DECEMBER 2022	**12,477**	**34,680**	**47,156**

Changes in Gross Carrying Values	Lease receivables from clients that are not credit impaired	Lease receivables from clients that are credit impaired	Total
BALANCE AS AT 1 JANUARY 2021	**3,157,235**	**68,061**	**3,225,297**
Transfers between stages	–34,580	34,580	–
Sale of subsidiaries	–333,439	–744	–334,182
Additions	1,374,590	–	1,374,590
Terminated contracts	–343,941	–6,877	–350,818
Redemptions	–628,144	–8,119	–636,263
Write-offs	–	–21,011	–21,011
Currency translation adjustments	140,409	1,840	142,249
Other movements	175,263	524	175,787
BALANCE AS AT 31 DECEMBER 2021	**3,507,393**	**68,255**	**3,575,648**
Transfers between stages	–39,343	39,343	–
Sale of subsidiaries	–1,681,327	–168	–1,681,495
Assets held-for-sale	–132,799	–3,441	–129,358
Additions	1,319,796	–	1,319,796
Terminated contracts	–390,794	–2,241	–393,035
Redemptions	–733,951	–	–733,951
Write-offs	–	–23,026	–23,026
Currency translation adjustments	63,703	–2,548	61,155
Other movements	101,278	977	102,255
BALANCE AS AT 31 DECEMBER 2022	**2,013,956**	**84,034**	**2,097,990**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

20 Lease receivables from clients *continued*

The Group has developed models to estimate expected credit losses for lease receivables, for corporate clients in all countries, retail clients in the Netherlands and retail clients in the United Kingdom. The calculation of expected credit losses also includes the explicit incorporation of forecasts of future economic conditions in all our subsidiaries with different scenario weighting applied. Reference is made to ***Note C*** – Financial assets and liabilities. Sensitivities of ECL amounts calculated via these models to different macro-economic scenarios are analysed in the table below.

The Group uses the macro-economic information and forecasts from data provider IHS Markit as input to its expected credit loss models, next to the developments in parameters such as defaults and amounts overdue. IHS Markit Baseline scenario is updated each quarter and the Group uses it as its optimistic scenario. For the pessimistic scenario and baseline scenario the Group applies IHS Markit Eurozone Recession scenario (published in July 2022) and IHS Markit Russia Isolation scenario (published in April 2022).

The Group keeps applying a 100% weighting to a pessimistic scenario in each country, due to the continued disruptions and gradually worsening macro-economic outlooks. Further, the Group applies ECL overlay to compensate for negative events not captured by its models. The granted Covid related payment reliefs led the Group to book EUR 4.9 million ECL overlay as of the end of 2021. It has been replaced by high inflation and high interest rate driven ECL overlay of EUR 2 million as of the end of 2022.

If a 100% optimistic scenario is applied, the ECL allowance for non-credit impaired lease receivables is EUR 1.8 million lower.

2022	Corporate clients		Retail clients – UK		Retail clients – NL		Other	Total	
	ECL	Sensitivity	ECL	Sensitivity	ECL	Sensitivity	ECL	ECL	Sensitivity
Carrying value of ECL	4,509	–	6,650	–	63	–	1,254	12,477	–
ECL base	2,366	–	5,409	–	47	–	971	8,793	–
Optimistic scenario	95	4%	–233	–4%	–3	–5%	–50	–190	–2%
Adverse scenario	2,143	91%	1,241	23%	16	34%	283	3,683	42%

2021	Corporate clients		Retail clients – UK		Retail clients – NL		Other	Total	
	ECL	Sensitivity	ECL	Sensitivity	ECL	Sensitivity	ECL	ECL	Sensitivity
Carrying value of ECL	6,560	–	6,579	–	48	–	1,895	15,082	–
ECL base	4,941	–	5,488	–	46	–	1,796	12,271	–
Optimistic scenario	–296	–6%	–527	–10%	–1	–1%	–27	–851	–7%
Adverse scenario	1,619	33%	1,091	20%	2	5%	98	2,811	23%

Finance lease contracts

The amounts receivable from clients include finance lease receivables, which can be analysed as follows:

Gross investment in finance leases, with remaining maturities.

	2022	2021
Not longer than a year	516,125	1,183,389
Longer than a year, less than two years	391,973	764,759
Longer than two years, less than three years	335,402	489,550
Longer than three years, less than four years	223,561	303,908
Longer than four years, less than five years	77,986	209,405
Longer than five years	29,589	31,050
	1,574,635	**2,982,061**
Unearned finance income on finance lease	129,128	220,706
NET INVESTMENT IN FINANCE LEASES	**1,445,507**	**2,761,355**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

20 Lease receivables from clients *continued*

Net investment in finance leases, with remaining maturities

	2022	2021
Not longer than a year	481,437	1,103,083
Longer than a year, less than five years	936,510	1,628,508
Longer than five years	27,560	29,764
BALANCE AS AT 31 DECEMBER	**1,445,507**	**2,761,355**

A part of the finance lease assets is encumbered (securitised) because of the asset backed securitisation transactions concluded by the Group. The total value of the securitised finance lease assets amounts to EUR 259 million (2021: EUR 332 million). For further details on the transactions refer to ***Note 40*** and ***Note 21*** of the consolidated financial statements.

21 Property and equipment under operating lease, rental fleet and vehicles available for lease

	Note	Operating lease	Rental fleet	Vehicles available for lease	Total
Cost		25,835,836	228,129	304,963	26,368,929
Accumulated depreciation and impairment		−7,129,091	−48,452	–	−7,177,543
CARRYING AMOUNT AS AT 1 JANUARY 2021		**18,706,745**	**179,677**	**304,963**	**19,191,386**
Sale of subsidiary		−562,948	–	–	−562,948
Purchases/additions		6,711,230	163,594	381,305	7,256,129
Disposals		−2,574,218	−30,110	–	−2,604,328
Transfer from vehicles available for lease		304,963	–	−304,963	–
Transfer to inventories	*18*	−280,463	–	–	−280,463
Depreciation		−3,347,877	−42,010	–	−3,389,888
Impairment charge		−3,006	–	–	−3,006
Impairment reversal		7,553	–	–	7,553
Currency translation adjustments		126,383	−2,721	1,811	125,473
CARRYING AMOUNT AS AT 31 DECEMBER 2021		**19,088,362**	**268,431**	**383,115**	**19,739,908**
Cost		26,390,760	344,695	383,115	27,118,571
Accumulated depreciation and impairment		−7,302,399	−76,264	–	−7,378,663
CARRYING AMOUNT AS AT 31 DECEMBER 2021		**19,088,362**	**268,431**	**383,115**	**19,739,908**
Restatement due to hyperinflation		277,551	10,361	3,879	291,791
CARRYING AMOUNT AS AT 1 JANUARY 2022		**19,365,913**	**278,792**	**386,994**	**20,031,699**
Sale of subsidiary		−329,709	–	−224,524	−554,233
Purchases/additions		6,640,026	351,436	669,429	7,660,892
Disposals		−2,311,871	−38,852	–	−2,350,723
Transfer from vehicles available for lease		386,994	–	−386,994	–
Transfer to inventories	*18*	−261,397	–	–	−261,397
Depreciation		−3,089,499	−71,312	–	−3,160,811
Impairment charge		−3,744	–	–	−3,744
Impairment reversal		35,955	–	–	35,955
Transfer to assets held-for-sale		−942,064	−12,957	–	−955,021
Currency translation adjustments		−279,402	−12,044	−776	−292,221
CARRYING AMOUNT AS AT 31 DECEMBER 2022		**19,211,202**	**495,064**	**444,129**	**20,150,395**
Cost		26,351,463	615,673	444,129	27,411,265
Accumulated depreciation and impairment		−7,140,261	−120,609	–	−7,260,870
CARRYING AMOUNT AS AT 31 DECEMBER 2022		**19,211,202**	**495,064**	**444,129**	**20,150,395**

The depreciation of the rental fleet is presented in the consolidated statement of profit or loss in the line item 'Additional service cost'.

The Group periodically assesses whether, as a result of changes in the estimated residual value and/or the useful life of the property and equipment under operating leases, prospective adjustments to the depreciation charges are required at consolidated level. For 2022, as a result of the continued strong used-car market environment, which is expected to remain strong, the residual values were reviewed and adjusted upwards. As a result, a prospective depreciation adjustment in amount of EUR 435 million (2021: nil) was recorded that decreased the depreciation during the period. The adjustment relates to vehicles that are expected to be terminated in Q4 2022, 2023, 2024, 2025 and 2026 and beyond.

Further information about asset risk is included in the Risk Management section.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

21 Property and equipment under operating lease, rental fleet and vehicles available for lease *continued*

Impairments

The net impairment reversal for 2021 amounted to EUR 4.5 million, related to reversal of book value losses on early terminated cars for defaulted operating lease customers.

We have continued to see the used-car market recover strongly across most of our core markets as B2B and B2C business activities resumed.

The net impairment reversal for 2022 amounts to EUR 32.2 million, out of which EUR 31 million is related to a reversal of the additional impairment of 2020 through profit/(loss) on disposal of vehicles and EUR 1 million is related to reversal of book value losses on early terminated cars for defaulted operating lease customers. During 2022 an amount of EUR 27 million, related to the reversal and utilisation of the existing operating lease impairments, has been booked through profit/(loss) on disposal of vehicles.

The impairment analysis is based on an assessment of the value in use of all lease contracts. For our projections of cash flows, including the cash flows from residual values upon termination of the lease contract, we have considered the risk of further Covid-19 outbreaks, and from Q4 2022 onwards the outlook is business as usual back to pre-Covid level; we also considered the semiconductor shortage, rising inflation, and the appalling events in Ukraine. The recoverable amount related to impaired lease agreements amounted to EUR 116 million as at 31 December 2022 (31 December 2021: EUR 1.4 billion). The variation versus 2021 is due to the fact that the majority of the impairment booked during 2020 has now been reversed.

The sensitivity of an additional 1% decline in used-car prices over the remaining useful life of lease contracts on the valuation of non-impaired lease contracts is not linear as it is also dependent on other contractual cash flows such as service income as well as the ability to mitigate losses, for example through fleet extensions and optimisation of the channel mix (B2B, B2C, driver sales) over time.

The sensitivity of an additional 1% decline in used-car prices of the impaired lease contracts will translate into EUR 1.1 million additional impairment for the total remaining duration.

Asset backed securitisation transactions

The Group concluded a number of asset backed securitisation transactions hereinafter identified as the Bumper transactions. These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the company).

As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 3.1 billion (2021: EUR 2.3 billion), which can be detailed as follows:

	2022	2021
Bumper BE	600,773	643,400
Bumper DE S.A. 2019-1	249,539	464,460
Bumper FR 2022-1	630,623	–
Bumper NL 2020-1 B.V.	390,741	558,261
Bumper NL 2022-1 B.V.	893,275	–
Bumper UK 2019-1 Finance PLC	–	185,533
Bumper UK 2021-1 Finance PLC	325,632	494,693
TOTAL	**3,090,582**	**2,346,348**

For further information about the asset backed securitisation transactions reference is made to ***Note 30***.

An approximation of the future minimum lease payments under non-cancellable operating leases in aggregate and for each of the following periods can be summarised as follows:

	2022	2021
Not longer than a year	3,144,930	3,033,421
Longer than a year, less than five years	5,561,129	5,462,652
Longer than five years	56,749	50,625
TOTAL MATURITY	**8,762,808**	**8,546,697**

Undiscounted lease payments to be received under operating leases, with remaining maturities:

	2022	2021
Not longer than a year	7,773,226	7,340,371
Longer than a year, less than two years	5,360,324	5,418,549
Longer than two years, less than three years	4,168,115	4,476,441
Longer than three years, less than four years	2,534,842	2,595,320
Longer than four years, less than five years	687,065	698,169
Longer than five years	156,460	128,182
TOTAL MATURITY	**20,680,031**	**20,657,032**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

22 Other property and equipment

The composition between owned and leased assets is presented in the following table:

	31 December 2022	31 December 2021
Owned	87,648	88,053
Leased	153,066	208,462
TOTAL	**240,714**	**296,515**

	Note	Property	Equipment	Total
CARRYING AMOUNT AS AT 1 JANUARY 2021		**289,981**	**97,724**	**387,705**
Sale of subsidiary		–40,906	–17,785	–58,691
Purchases/additions		22,255	43,485	65,740
Disposals		–20,642	–18,188	–38,830
Impairment charge		–1,929	–22	–1,950
Impairment reversal		1,363	965	2,328
Transfer		–776	776	–
Depreciation and impairment	*8*	–39,478	–23,578	–63,057
Currency translation adjustments		3,270	–1	3,270
CARRYING AMOUNT AS AT 31 DECEMBER 2021		**213,138**	**83,377**	**296,515**
Cost		337,988	206,251	544,239
Accumulated depreciation and impairment		–124,849	–122,874	–247,723
CARRYING AMOUNT AS AT 31 DECEMBER 2021		**213,138**	**83,377**	**296,515**
Restatement due to hyperinflation		178	1,191	1,369
CARRYING AMOUNT AS AT 1 JANUARY 2022		**213,316**	**84,568**	**297,884**
Sale of subsidiary		–14,788	–5,016	–19,804
Purchases/additions		19,993	55,933	75,926
Disposals		–29,579	–19,943	–49,522
Impairment reversal		7,725	179	7,904
Transfer to assets held-for-sale		–8,087	–4,760	–12,847
Depreciation	*8*	–35,686	–23,022	–58,707
Currency translation adjustments		325	–445	–119
CARRYING AMOUNT AS AT 31 DECEMBER 2022		**153,219**	**87,495**	**240,714**
Cost		291,354	199,932	491,286
Accumulated depreciation and impairment		–138,135	–112,437	–250,572
CARRYING AMOUNT AS AT 31 DECEMBER 2022		**153,219**	**87,495**	**240,714**

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

22 Other property and equipment *continued*

Below is presented the disclosure related to IFRS 16. The leased assets mainly include property such as buildings and IT and other equipment. Information regarding leased assets is presented in the table below:

	Property	Equipment	Total
CARRYING AMOUNT AS AT 1 JANUARY 2021	**273,745**	**2,891**	**276,635**
Sale of subsidiary	–34,837	–466	–35,303
Purchases/additions	21,735	91	21,826
Disposals	–17,680	–105	–17,785
Impairment charge	–1,929	–	–1,929
Impairment reversal	1,363	–	1,363
Depreciation	–38,456	–1,136	–39,592
Currency translation adjustments	3,245	1	3,246
CARRYING AMOUNT AS AT 31 DECEMBER 2021	**207,187**	**1,276**	**208,462**
Restatement due to hyperinflation	178	–	178
CARRYING AMOUNT AS AT 1 JANUARY 2022	**207,365**	**1,276**	**208,640**
Sale of subsidiary	–14,788	–	–14,788
Purchases/additions	19,647	4,440	24,087
Disposals	–29,061	–	–29,061
Impairment reversal	7,726	–	7,726
Depreciation	–35,039	–1,111	–36,149
Transfer	–7,715	–	–7,715
Currency translation adjustments	314	14	327
CARRYING AMOUNT AS AT 31 DECEMBER 2022	**148,447**	**4,619**	**153,066**

In 2022 due to a recovery in the use of office spaces, an impairment amount of EUR 7.7 million was reversed.

LeasePlan sells cars via sales shops, which are the main assets identified related to the ex-CarNext business. We defined local ex-CarNext businesses as the CGUs to which the right of use is allocated.

The Group tested the CGUs for impairment and recognised an impairment reversal of EUR 6.3 million (2021: EUR 1.1 million). The recoverable amounts of the CGU were estimated based on the present values of the future cash flows expected to be generated by sales shops in those countries (value in use), discounted by a pre-tax discount rate of 10.4%.

The maturity of the discounted lease liabilities is shown below:

	31 December 2022	31 December 2021
Not longer than a year	33,360	35,763
Longer than a year	135,445	200,323
TOTAL	**168,805**	**236,085**

For maturity analysis of undiscounted contractual cash flow of lease liabilities refer to Treasury risk measurement in the Risk management paragraph.

Amounts recognised in statement of profit or loss:

	31 December 2022	31 December 2021
Interest on lease liabilities	–2,871	–3,854
Income from sub-leasing right-of-use assets	1,136	1,114
Expenses relating to short-term leases	–107	94
Expenses relating to leases of low-value assets	–106	–106
TOTAL	**–1,947**	**–2,752**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

23 Investments accounted for using the equity method

Principal investments in the consolidated financial statements are:

	% of ownership interest		Country of business and incorporation	Activity
	2022	2021		
Equity accounted investments				
LeasePlan Emirates L.L.C.	49.0%	49.0%	Emirate of Abu Dhabi	Leasing
Flottenmanagement GmbH	49.0%	49.0%	Austria	Leasing
PLease S.C.S.	99.3%	99.3%	France	Leasing

All investments accounted for using the equity method in the table above are interests in joint ventures.

The investment in Flottenmanagement GmbH is considered not material.

PLease S.C.S.

PLease is a Société en Commandite Simple (S.C.S.) under French law, whereby the Group is one of the partners. PLease is governed by a steering committee and a strategic committee whereby the Group can nominate two of the four members of each committee. In the steering committee decisions require a majority of its member votes and in the strategic committee decisions can only be taken unanimously.

The amounts recognised in the balance sheet are as follows:

	2022	2021
Equity accounted investments	18,421	16,716
BALANCE AS AT 31 DECEMBER	**18,421**	**16,716**

The amounts recognised in the statement of profit or loss are as follows:

	2022	2021
Equity accounted investments	6,182	–5,520
BALANCE AS AT 31 DECEMBER	**6,182**	**–5,520**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

23 Investments accounted for using the equity method *continued*

The summarised financial information below does not represent the proportionate share of the entity but the actual amount included in the separate financial statements of the material interests in investments accounted for using the equity method.

	2022 Equity accounted investments	2021 Equity accounted investments
Other current assets	23,339	30,951
TOTAL CURRENT ASSETS	**23,339**	**30,951**
TOTAL NON-CURRENT ASSETS	**273,138**	**323,917**
Current financial liabilities	47,074	23,391
Current liabilities other	45,278	49,152
TOTAL CURRENT LIABILITIES	**92,352**	**72,543**
Non-current financial liabilities	163,541	246,085
Other non-current financial liabilities	3,285	2,661
TOTAL NON-CURRENT LIABILITIES	**166,826**	**248,746**
NET ASSETS (100%)	**37,299**	**33,579**

The total assets of joint venture entities amount to EUR 296 million (2021: EUR 355 million), of which EUR 191 million (2021: EUR 259 million) relate to PLease S.C.S.

The summarised statement of comprehensive income below does not represent the proportionate share of entity but the actual amount included for the material interests in investments accounted for using the equity method.

	2022 Equity accounted investments	2021 Equity accounted investments
REVENUES	**108,742**	**98,645**
Depreciation and amortisation	–511	–445
Interest income	731	484
Interest expense	–3,361	–3,519
Profit before tax	12,937	8,186
Income tax expenses	–172	–190
PROFIT FOR THE PERIOD	**12,765**	**7,997**
Other comprehensive income net of tax	–88	168
TOTAL COMPREHENSIVE INCOME (100%)	**12,677**	**8,165**
Dividend received by the Group	5,350	4,694

The reconciliation to the proportional share of the Group included in the summarised financial information is as follows:

	2022 Equity accounted investments	2021 Equity accounted investments
Net assets (100%) as at 1 January	33,579	32,780
Dividend paid	–11,004	–9,601
Result for the year	12,765	7,997
Exchange rate differences	1,960	2,403
Net assets (100%) as at 31 December	37,299	33,579
Percentage of interest	various	various
Interest in associates/jointly controlled entities	18,421	16,716
CARRYING VALUE	**18,421**	**16,716**

The amount of net assets is mainly related to LeasePlan Emirates L.L.C. EUR 33 million (2021: EUR 31 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

24 Intangible assets

	Note	Internally developed software	Software licences	Customer relationships	Customer contracts	Goodwill	Assets under construction	Total
CARRYING AMOUNT AS AT 1 JANUARY 2021		**44,445**	**32,477**	**2,425**	**147**	**98,604**	**84,685**	**262,785**
Sale of subsidiary		–16,296	–9,222	–	–	–	–8,317	–33,835
Purchases/additions		4,248	4,107	–	–	–	152,109	160,464
Amortisation	*8*	–26,735	–7,084	–812	–111	–	–	–34,742
Impairment charge	*8*	–861	–	–	–	–	–3,142	–4,004
Impairment reversal		410	–	–	–	–	–	410
Assets available for use		54,286	17	–	–	–	–54,303	–
Currency translation adjustments		604	–207	–	–	–	34	430
CARRYING AMOUNT AS AT 31 DECEMBER 2021		**60,100**	**20,090**	**1,613**	**37**	**98,604**	**171,067**	**351,511**
Cost		170,851	77,552	14,441	8,790	98,604	171,067	541,305
Accumulated depreciation and impairment		–110,751	–57,462	–12,828	–8,753	–	–	–189,794
CARRYING AMOUNT AS AT 31 DECEMBER 2021		**60,100**	**20,090**	**1,613**	**37**	**98,604**	**171,067**	**351,511**
Restatement due to hyperinflation		–	556	–	–	–	–	556
CARRYING AMOUNT AS AT 1 JANUARY 2022		**60,100**	**20,645**	**1,613**	**37**	**98,604**	**171,067**	**352,067**
Sale of subsidiary		–9,856	–730	–	–	–	–	–10,586
Purchases/additions	*8*	4,883	5,178	–	–	–	163,773	173,833
Amortisation	*8*	–40,380	–6,660	–660	–37	–	–	–47,737
Impairment charge		–2,679	–	–	–	–	–516	–3,195
Impairment reversal		1,349	–	–	–	–	–	1,349
Assets available for use		152,985	27	–	–	–	–153,012	–
Transfer to assets held-for-sale		–	–36	–	–	–	–	–36
Currency translation adjustments		339	–153	–	–	–	–	186
CARRYING AMOUNT AS AT 31 DECEMBER 2022		**166,740**	**18,271**	**953**	**–**	**98,604**	**181,312**	**465,881**
Cost		292,881	65,070	14,441	8,000	98,604	181,312	660,309
Accumulated depreciation and impairment		–126,141	–46,800	–13,488	–8,000	–	–	–194,429
CARRYING AMOUNT AS AT 31 DECEMBER 2022		**166,740**	**18,271**	**953**	**–**	**98,604**	**181,312**	**465,881**

The remaining amortisation period for the majority of the intangible assets with a finite life is approximately six years. The title to the intangible assets is not restricted and the intangible assets are not pledged as security for liabilities.

Assets under construction as at 31 December 2022 mainly include the investments in New Generation Digital Architecture (NGDA) and IT Excellence. The Group checks feasibility, availability and intention in respect of finalisation of assets under construction each year. Based on this analysis the Group recognised impairment of EUR 0.5 million (2021: EUR 3.1 million). Please refer to ***Note 8*** for the disclosure related to the impairment recognised on intangible assets.

In addition, annually, or more frequently if events or changes in circumstances indicate a potential impairment, assets under construction are assessed for impairment. The impairment calculation is based on fair value less cost of disposal. Assets under construction are treated as corporate assets, which cannot be allocated on a consistent basis to individual cash generating units and are allocated to the group of cash generating units being the Europe segment. The impairment test is done in two steps: the impairment test on individual country level included in the Europe segment without allocation of assets under construction and the impairment test on Europe segment level with allocated assets under construction. The recoverable amount is determined by discounting future cash flows generated from the continuing use of the group of cash generating units. Cash flows were projected based on actual results and 5-year business plans and forecasts. The pre-tax discount rate of 10.7% (post-tax of 13.1%) was applied. Based on this assessment no additional impairment was recognised in 2022 (2021: nil).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

24 Intangible assets *continued*

Goodwill relates to acquisitions in previous years. All acquired companies were engaged in providing lease services. Goodwill is allocated to the Group's cash generating units which have incorporated the acquisitions. Cash generating units are the individual countries in which LeasePlan has an entity. The cash generating units to which goodwill is allocated are listed in the table below:

		Key assumptions applied in fair value less cost of disposal		
	Goodwill	Post-tax discount rate	Pre-tax discount rate	Terminal growth rate
LeasePlan Italy	46,646	11.3%	15.8%	0.0%
LeasePlan Portugal	27,232	11.0%	14.8%	0.0%
LeasePlan Spain	14,413	10.6%	14.3%	0.0%
LeasePlan France	10,313	9.3%	12.8%	0.0%
TOTAL	**98,604**			

Annually, or more frequently if events or changes in circumstances indicate a potential impairment, goodwill is assessed for impairment. There was no impairment recognised in 2022 (2021: nil). The impairment test is identical for all cash generating units and is based on fair value less cost of disposal. The fair value less cost of disposal was determined by discounting future cash flows generated from the continuing use of the cash generating units in which the acquired operating companies were incorporated. Cash flows were projected based on actual results and 5-year business plans and forecasts. The growth rates included in the business plans and forecasts exceed the long-term average growth rate for this business. As of 2019/2020 LeasePlan embarked on a fully digitised mobility service provider with the aim to reach digital service levels by 2025. That means that in the next years LeasePlan will invest in its Next Generation Digital Architecture, further improving profitability. After the five-year forecast period, one-year stabilisation and terminal growth rate of 0.0% was assumed.

A post-tax discount rate was applied which is built up of a (i) risk free rate (2.0%), (ii) a market premium (6.5%) multiplied by a market specific beta (1.03) and (iii) a country risk premium (ranging between 0.6% and 2.6%).

The recoverable amounts of all cash generating units with goodwill exceed their carrying amounts.

25 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities as at 31 December are attributable to the following:

	Deferred tax assets		Deferred tax liabilities	
	2022	2021	2022	2021
Goodwill	2,544	4,626	–	–
Other intangible fixed assets	823	595	–	–
Property and equipment under operating lease	43,738	57,312	552,375	676,593
Other property and equipment	6,127	8,040	19,150	15,075
Provisions	30,301	28,371	213	293
Deferred leasing income	78,307	76,261	21,173	9,314
Tax value of losses carry forward recognised	144,946	371,458	–	–
Tax credits and prepayments	927	7,320	–	–
Other receivables	8,602	15,781	85,858	40,997
Other payables	45,821	56,675	18,709	11,309
TAX ASSETS/LIABILITIES	**362,136**	**626,438**	**697,479**	**753,581**
Offset of deferred tax assets and liabilities	–224,314	–388,291	–224,314	–388,291
BALANCE AS AT 31 DECEMBER	**137,821**	**238,147**	**473,165**	**365,290**
NET TAX POSITION:			**335,343**	**127,143**
Movement in net tax position	–208,201	–79,675		

The movement in the net deferred tax position can be summarised as follows:

	Note	2022	2021
BALANCE AS AT 1 JANUARY		**–127,143**	**–47,468**
Statement of profit or loss (charge)/credit	*10*	–178,728	–65,906
Tax (charge)/credit relating to components of other comprehensive income	*10*	–3,032	–745
Other movements		–36,694	–22,893
Exchange rate differences		10,255	9,869
BALANCE AS AT 31 DECEMBER		**–335,343**	**–127,143**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

25 Deferred tax assets and deferred tax liabilities *continued*

The statement of profit or loss (charge)/credit can be broken down as follows:

	Deferred tax assets		Deferred tax liabilities	
	2022	2021	2022	2021
Goodwill	–	1,509	2,082	–
Other intangible fixed assets	227	595	–	–289
Property and equipment under operating lease	145,645	8,260	–	89,458
Other property and equipment	–	–1,481	3,746	6,760
Provisions	5,751	–6,004		–104
Deferred leasing income	–	8,985	12,127	5,775
Tax value of losses carried forward recognised	–	26,084	226,044	–20,729
Tax credits and prepayments	–	4,254	6,335	–191
Other receivables	–	–12,390	46,183	8,881
Other payables	–	–8,110	33,834	–1,954
MOVEMENT IN DEFERRED TAX	**151,623**	**21,702**	**330,351**	**87,608**
Movement in deferred tax liabilities	–151,623	–21,702	–151,623	–21,702
STATEMENT OF PROFIT OR LOSS (CHARGE)/CREDIT			**178,728**	**65,906**

Exchange rate differences can be broken down as follows:

	Deferred tax assets		Deferred tax liabilities	
	2022	2021	2022	2021
Property and equipment under operating lease	9,334	290	–	–
Other property and equipment	–	–	1,404	104
Provisions	–	224	35	–
Deferred leasing income	1,955	337	–	–
Tax value of losses carried forward recognised	–	8,436	1,074	–
Tax credits and prepayments	–	–	58	53
Other receivables	–	974	721	–
Other payables	2,256	–	–	236
TAX (ASSETS)/LIABILITIES	**13,545**	**10,261**	**3,290**	**393**
Offset of deferred tax assets and liabilities	–3,290	–393		
EXCHANGE RATE DIFFERENCES	**10,255**	**9,869**		

The Group recognises deferred tax assets for the tax value of losses and tax credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised deferred tax assets in respect of tax losses of EUR 41.2 million (2021: EUR 47.9 million) and has not recognised tax credits for an amount of EUR 1.2 million (2021: EUR 17 million) as the Group considers it is not probable that future taxable profits will be available to offset these tax losses and to settle tax credits with current tax liabilities (also taking into account expiry dates when applicable). The majority of the unrecognised losses of EUR 41.2 million do not have an expiry date (EUR 6.1 million of the unrecognised losses have an expiry date) and the utilisation of tax credits is limited in time.

The expiration profile of the tax credits not recognised can be illustrated as follows:

	2022	2021
Expires within one year	500	335
Expires after a year, less than five years	688	14,616
Expires after five years	53	2,076
TOTAL	**1,241**	**17,026**

The expiration profile of the losses carried forward can be illustrated as follows:

Losses	2022	2021
Expire within one year	2,417	–
Expire after a year, less than five years	7,261	79,864
Expire after five years	14,376	64,331
No expiry date	584,404	1,543,848
TOTAL	**608,458**	**1,688,044**
TAX VALUE	**144,946**	**371,458**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

25 Deferred tax assets and deferred tax liabilities *continued*

The total tax value of losses carried forward is presented before offsetting the corresponding deferred tax liabilities (which are reflected in the offset of deferred tax assets and liabilities as shown in the first table of this note).

The deferred tax liability relating to property and equipment under operating leases reverses over the remaining term of the operating lease contracts, which ranges from three to four years.

Breakdown of certain net deferred tax asset positions by jurisdiction:

	2022	2021
Netherlands	–	63,495
Spain	30,928	34,442
United Kingdom	40,805	38,050
Italy	13,213	55,429
TOTAL	**84,946**	**191,415**

The table above includes a breakdown of certain net deferred tax asset positions by jurisdiction for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current or the preceding year. In 2022, the aggregate amount for the most significant entities is EUR 84.9 million (2021: EUR 191.4 million). Recognition is based on the fact that it is probable that the entity will have taxable profits before expiration of the deferred tax assets.

26 Assets and liabilities classified as held-for-sale

As per 30 November 2022, the subsidiaries in Luxembourg, Finland and Czech Republic have been classified as held-for-sale. Reference is made to ***Note 11*** – Discontinued operations.

As at 31 December 2022, the disposal groups comprised assets of EUR 1,125 million less liabilities of EUR 511 million, all valued at the carrying amount, detailed as follows.

	2022
Cash and balances at central banks	1
Receivables from financial institutions	3,312
Other receivables and prepayments	20,469
Inventories	17,594
Lease receivables from clients	123,556
Property and equipment under operating lease & Rental fleet	937,594
Other property and equipment	12,847
Intangible assets	36
Corporate income tax receivable	373
Deferred tax asset	9,385
ASSETS CLASSIFIED AS HELD-FOR-SALE	**1,125,167**
Trade and other payables and Deferred income	101,532
Borrowings from financial institutions	342,165
Lease liabilities	7,880
Provisions	2,701
Deferred tax liabilities	56,359
LIABILITIES CLASSIFIED AS HELD-FOR-SALE	**510,636**
NET ASSETS HELD-FOR-SALE	**614,531**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

27 Funds entrusted

This item includes non-subordinated loans from banks and saving deposits.

For the maturity analysis refer to the Treasury risk measurement in the Risk management paragraph.

Savings deposits raised by LeasePlan Bank amount to EUR 10.8 billion (2021: EUR 10.2 billion) of which 31.6% (2021: 39.4%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V., which holds a banking licence in the Netherlands. As of September 2015, LeasePlan Bank also operates in the German savings deposit market with a cross-border offering from the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2022	2021
Three months or less	1.10%	0.03%
Longer than three months, less than a year	0.79%	0.38%
Longer than a year, less than five years	0.71%	0.73%

The interest rate of the on-demand accounts is set monthly.

The interest payable in the amount of EUR 14.6 million (2021: EUR 12.7 million) is presented in the line item trade and other payables and deferred income of the statement of financial position.

The funds entrusted outstanding balance is all denominated in EUR. Reference is made to the Risk section (Treasury risk).

28 Trade and other payables and deferred income

	2022	2021
Trade payables	794,410	851,097
Deferred leasing income	402,339	506,446
Lease related accruals	712,433	795,822
Other accruals and other deferred amounts owed	1,497,793	705,339
Interest payable	77,243	67,468
Accruals for contract settlements	130,406	111,909
VAT and other taxes – payable	27,438	21,845
BALANCE AS AT 31 DECEMBER	**3,642,060**	**3,059,927**

The majority of the trade and other payables and deferred income, except for deferred leasing income, have a remaining maturity of less than one year. Deferred leasing income relates to amounts received in advance, as part of the monthly lease instalments, to cover lease expenses in a subsequent period. Lease related accruals mainly consist of accruals for lease related service expenses.

Other accruals and other deferred amounts owed contain accruals for a number of different staff expenses, including for the variable remuneration. The accrual for variable remuneration also contains the liability for Phantom Share Units ('PSUs'). The fair value of the accrual is EUR 14.5 million at the end of 2022 (2021: EUR 13.4 million).

Variable remuneration

Variable remuneration cannot exceed 100% of fixed remuneration. For control functions it is capped at 50%. For staff who work for the Dutch operating entity this maximum is further capped at 20%. Variable remuneration for senior management consists of cash (50%) and non-cash elements (50%), i.e. PSUs. 50% of the variable remuneration of senior management is paid upfront and 50% of the variable remuneration is deferred for a period of four years, whereby every year one-fourth vests. The Managing Board has a deferral period of five years and 60% is deferred. PSUs have a retention period of one year after vesting.

The movements in the number of PSUs outstanding are as follows:

	2022	2021
OUTSTANDING AS AT 1 JANUARY	**146,713**	**136,220**
Granted	94,147	71,006
Settled during the year	–98,611	–60,513
OUTSTANDING AS AT 31 DECEMBER	**142,249**	**146,713**

The PSU result recognised during 2022 relating to PSU revaluation amounts to EUR -0.2 million (2021: EUR 1.4 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

29 Borrowings from financial institutions

This item includes amounts owed to banks under government supervision.

For the maturity analysis refer to Treasury risk measurement in the Risk management paragraph.

On demand amounts owed to financial institutions relating to call money and bank overdraft balances form part of the cash and balances with banks in the cash flow statement. Borrowings from financial institutions include an outstanding balance of EUR 0.7 billion (2021: EUR 1.0 billion) which is non-euro currency denominated as at 31 December. The remainder of the borrowings from financial institutions is denominated in euro.

The interest payable in the amount of EUR 8.2 million (2021: EUR 9.5 million) is presented in the line item trade and other payables and deferred income of the statement of financial position.

In addition to centrally arranged credit facilities at a Group level, the Group also has credit facilities in place at the level of some of its subsidiaries.

30 Debt securities issued

This item includes negotiable, interest bearing securities, held at amortised cost.

In thousands of euros	2022	2021
Bonds and notes – originated from securitisation transactions	2,336,762	1,850,740
Bonds and notes – other	7,082,878	7,542,547
Bonds and notes – other (fair value adjustment)	−364,425	8,636
BALANCE AS AT 31 DECEMBER	**9,055,215**	**9,401,924**

There is no pledge nor security for these debt securities except for the bonds and notes which are originated from securitisation transactions.

The debt securities issued include an outstanding balance of EUR 1.7 billion (2021: EUR 2.0 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euros. The fair value adjustment is attributable to the hedged risk on bonds and notes in fair value hedges. This fair value hedging policy is described in the Risk section (Strategy in using financial instruments).

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2022	2021
Average interest rate	1.9%	1.1%

The interest payable in the amount of EUR 53.5 million (2021: EUR 45.2 million) is presented in the line item trade and other payables and deferred income of the statement of financial position.

For the maturity analysis refer to the Treasury risk measurement in the Risk management section.

The caption ‘Bonds and notes – originated from securitisation transactions’ can be detailed as follows:

	2022	2021
Bumper BE	492,882	532,500
Bumper FR 2022-1	500,000	–
Bumper DE S.A. 2019-1	106,475	325,176
Bumper NL 2020-1 B.V.	257,129	419,207
Bumper NL 2022-1 B.V.	700,000	–
Bumper UK 2019-1 Finance PLC	–	100,749
Bumper UK 2021-1 Finance PLC	284,376	476,399
TOTAL	**2,340,863**	**1,854,030**

In April 2022, Bumper FR 2022-1 was concluded for a total of EUR 500 million of asset-backed security notes.

In October 2022, Bumper NL 2022-1 was concluded for a total of EUR 700 million of senior notes.

These Bumper transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies. Debt securities were issued by most of these special purpose companies to finance these transactions. The special purpose companies are responsible for making interest and principal payments to the noteholders. The noteholders do not have recourse to the company or other Group companies in case of non-performance or default by the special purpose companies. The Group has deposited cash collateral for these securitisation transactions; reference is made to ***Note 15*** of the consolidated financial statements. The higher rated notes are sold to external investors and the other (non-rated) notes are bought by the company. The company provided funding to facilitate the purchase of Bumper notes by Group companies.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

30 Debt securities issued *continued*

A number of fixed rate bonds are included in a fair value hedge whereby the bonds (hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the statement of profit or loss, where it offsets (to a large extent) the remeasurement of the fair value of the hedging instruments that is also recognised in the statement of profit or loss.

Transaction costs related to issued bonds and new Bumpers are equal to EUR 4.1 million (2021: EUR 3.3 million) and they are fully capitalised and amortised over the duration of the deals.

31 Provisions

	2022	2021
Damage risk retention provision	584,751	525,065
Post-employment benefits	10,839	24,291
Other provisions	26,827	32,357
BALANCE AS AT 31 DECEMBER	**622,418**	**581,713**

The majority of provisions are expected to be recovered or settled within 12 months.

Damage risk retention provision

	2022	2021
Provision for third-party liability (TPL)	204,378	194,399
Incurred but not reported (IBNR) – TPL	208,529	182,058
Provision for damage claims	114,542	96,743
Incurred but not reported (IBNR) – damage claims	57,303	51,865
BALANCE AS AT 31 DECEMBER	**584,751**	**525,065**

The damage risk retention provision breaks down as follows:

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Damages reported	318,920	–25,337	293,583	291,142	–28,878	262,264
Damages IBNR	265,831	–12,848	252,983	233,923	–10,479	223,445
TOTAL DAMAGE RISK PROVISIONS	**584,751**	**–38,186**	**546,566**	**525,065**	**–39,357**	**485,709**
Current	171,973	–4,148	167,825	148,829	–5,967	142,862
Non-current	412,779	–34,038	378,741	376,236	–33,389	342,847
TOTAL DAMAGE RISK PROVISIONS	**584,751**	**–38,186**	**546,566**	**525,065**	**–39,357**	**485,709**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

31 Provisions *continued*

The development of the third-party liability (TPL) exposures provides a measure of the Group's ability to estimate the ultimate value of damages. The top half of the table below illustrates how the Group's estimate of total damages outstanding for each accident year has changed at successive year ends. The bottom half of the table below reconciles the cumulative damages to the amounts appearing in the balance sheet for TPL. The accident year basis is considered the most appropriate for the business written by the Group.

Underwriting years	**< 2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At end of accident year	849,387	153,266	166,308	175,843	125,528	155,053	179,711	
one year later	879,669	144,870	161,867	181,717	124,811	157,402	–	
two years later	861,334	128,599	160,582	184,403	135,152	–	–	
three years later	844,181	131,106	151,494	155,908	–	–	–	
four years later	829,403	122,704	144,098	–	–	–	–	
five years later	829,253	119,603	–	–	–	–	–	
more than five years later	822,868	–	–	–	–	–	–	
Estimate of cumulative claims	822,868	119,603	144,098	155,908	135,152	157,402	179,711	
Cumulative payments to date	–770,949	–100,995	–116,795	–113,480	–73,680	–77,290	–48,648	
GROSS OUTSTANDING CLAIM LIABILITIES	**51,919**	**18,609**	**27,303**	**42,428**	**61,472**	**80,113**	**131,063**	**412,906**
Less: IBNR	16,881	5,751	10,947	17,469	31,025	41,209	85,245	208,529
TOTAL PROVISION FOR TPL (EXCLUDING IBNR)	**35,038**	**12,857**	**16,356**	**24,959**	**30,447**	**38,903**	**45,817**	**204,378**
Reinsurance	15,392	1,255	1,618	4,132	7,585	4,057	2,250	36,288
GROSS OUTSTANDING CLAIM LIABILITIES NET OF REINSURANCE	**36,528**	**17,354**	**25,686**	**38,296**	**53,887**	**76,055**	**128,813**	**376,619**

The total provision for TPL, excluding IBNR and reinsurance for the year prior to 2016, can be detailed as follows:

	Gross outstanding damage liabilities	**Less: IBNR**	**Total provision for TPL, excluding IBNR**
2016	9,328	3,865	5,462
2015	9,450	3,310	6,139
2014	5,541	2,693	2,849
2013	4,816	2,100	2,716
2012	2,651	1,732	919
< 2011	20,134	3,180	16,954
TOTAL	**51,919**	**16,881**	**35,038**

The expected maturity analysis of the gross outstanding damage liabilities excluding reinsurance is as follows:

	2022	**2021**
Not longer than 1 year	221,435	205,610
Between 1-2 years	86,759	69,136
Between 2-5 years	63,343	67,725
Longer than 5 years	41,369	33,987
TOTAL	**412,906**	**376,457**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

31 Provisions *continued*

Provision for post-employment benefits

The provision for post-employment benefits comprises both defined benefit pension plans and other post-employment benefits. The Group operates a number of pension plans around the world. Most of these pension plans are defined contribution plans. The Group has sponsored defined benefit pension plans and the total number of participants in these pension plans is 1,686 (2021: 1,670) of whom 1,304 are active employees and 377 are inactive participants. The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the plans, pensions generally do not receive inflationary increases once in payment. The benefit payments are from trustee administered funds. Plan assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the company and the trustees (or equivalent) and their composition. In addition, the Group operates other post-employment benefit plans in three countries for legally required termination indemnities, which are payable at either the retirement date or the date the employee leaves the Group. The amount of the benefit depends on the length of service of the employee at the dismissal or retirement date. The majority of these plans are unfunded where the company meets the benefit payment obligation as it falls due. The total number of participants of these other post-employment benefit plans is 352 (2021: 343).

The provision for the defined benefit liability recognised in the balance sheet is as follows:

	2022	2021
Present value of funded obligations	39,451	47,450
Fair value of plan assets	−39,045	−38,035
Asset ceiling	164	–
DEFICIT OF FUNDED PLANS	**570**	**9,415**
Present value of unfunded obligations	10,269	14,876
TOTAL DEFICIT OF DEFINED BENEFIT PLANS AS PER 31 DECEMBER	**10,839**	**24,291**

The impact of minimum funding requirement/asset ceiling is EUR 0.2 million in 2022 (2021: nil).

The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

31 Provisions *continued*

The following tables summarise the impact on the balance sheet, payment obligations, assets and economic assumptions in respect of the main post-employment benefits in the various countries.

	Note	Present value of obligation	Fair value of plan assets	Asset ceiling	Total
BALANCE AS AT 1 JANUARY 2021		**61,731**	**–35,304**	**–**	**26,428**
Sale of subsidiary		–471	233	–	–238
Current service cost	6	2,509	12	–	2,521
Interest expense/(income)	6	335	–140	–	195
Past service costs and gains and losses on settlements	6	–259	–	–	–259
		2,114	**104**	**–**	**2,218**
Return on plan assets, excluding amounts included in interest income/expense		–	–1,370	–	–1,370
Gain/loss from changes in demographic assumptions		–382	–	–	–382
Gain/loss from changes in financial assumptions		–1,082	–	–	–1,082
Experience (gains)/losses		1,547	–151	–	1,396
		82	**–1,521**	**–**	**–1,438**
REMEASUREMENTS					
Contributions – Employers		–	–2,420	–	–2,420
Contributions – Plan participants		273	–273	–	–
Benefit payments		–2,286	1,686	–	–599
Currency translation adjustments		411	–308	–	103
BALANCE AS AT 31 DECEMBER 2021		**62,326**	**–38,035**	**–**	**24,291**
BALANCE AS AT 1 JANUARY 2022		**62,326**	**–38,035**	**–**	**24,291**
Sale of subsidiary		–766	–	–	–766
Current service cost	6	2,467	18	–	2,485
Interest expense/(income)	6	563	–366	–	197
Past service costs and gains and losses on settlements	6	110	–	–	110
		2,374	**–348**	**–**	**2,026**
Return on plan assets, excluding amounts included in interest income/expense		–	514	–	514
Gain/loss from changes in demographic assumptions		–19	–	–	–19
Gain/loss from changes in financial assumptions		–14,039	–	–	–14,039
Experience (gains)/losses		1,614	–5	–	1,609
		–12,444	**509**	**–**	**–11,935**
REMEASUREMENTS					
Change in asset ceiling, excluding amounts included in interest expense		–	–	161	161
Exchange differences		34	–	–	34
Contributions – Employers		–	–2,827	–	–2,827
Contributions – Plan participants		367	–367	–	–
Benefit payments		–3,411	2,374	–	–1,037
Currency translation adjustments		473	–350	3	126
BALANCE AS AT 31 DECEMBER 2022		**49,720**	**–39,045**	**164**	**10,839**

Reference is made to ***Note 6*** for the details on the amounts recognised in the statement of profit or loss in respect of the Group's post-employment defined benefit plans. Expected contributions to post-employment defined benefit plans are EUR 2.8 million for the year ending 31 December 2022.

There are no defined benefit pension plans that are wholly unfunded and none of the collective and individual pension plans in the various countries are fully funded.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

31 Provisions *continued*

The averages of the main actuarial assumptions used to determine the value of the provision for post-employment defined benefits as at 31 December were as follows:

	2022	2021
Discount rate	4.6%	1.6%
Inflation	3.1%	2.3%
Salary growth rate	4.2%	3.3%
Pension growth rate	1.0%	1.7%

The rates used for interest discount factors, inflation, salary developments and future pension increases reflect country specific conditions. The expected return on plan assets is determined by considering the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk-free premium associated with the respective asset classes and the expectations for future returns on each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. The expected returns of the individual plans have been weighted based on the fair value of the assets of the plans to determine the average expected return on plan assets. All other assumptions are weighted based on the post-employment benefit obligations.

The following table shows the sensitivity of the defined benefit liability to a change of 0.5% in the following assumptions:

	0.5% decrease of assumption	0.5% increase of assumption
Discount rate change	19,694	15,502
Inflation change	17,032	17,972
Salary growth rate change	16,639	18,545
Pension growth rate change	14,211	14,585

Assumptions regarding future mortality experience are set based on published statistics and actuarial advice. The average life expectancy in years of a pensioner at the retirement date on the balance sheet date is as follows:

	2022	2021
Male	27.5	30.5
Female	28.8	32.3

	2022			2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments	2,343	–	2,343	2,611	–	2,611
Debt instruments	3,781	24	3,806	4,219	37	4,256
Property	483	1,429	1,912	515	1,401	1,915
Investment funds	248	30,737	30,985	536	28,717	29,253
TOTAL ASSETS	**6,855**	**32,190**	**39,045**	**7,880**	**30,155**	**38,035**

The expected maturity analysis of undiscounted post-employment benefits is:

	Not longer than a year	Longer than a year, less than two years	Longer than two years, less than five years	Longer than five years	Total
Expected maturity undiscounted post-employment benefits	2,444	1,991	10,156	86,730	101,321

The cumulative actuarial result recognised in the combined statements of comprehensive income is EUR 11.6 million (2021: EUR 1.4 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

31 Provisions *continued*

Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscellaneous	Total
BALANCE AS AT 31 DECEMBER 2020	**11,078**	**2,700**	**9,660**	**17,872**	**41,310**
Reversals	−3,791	–	–	−1,582	−5,373
Additions recognised in income statement	1,007	1,684	2,047	3,062	7,800
Unused amounts reversal	−135	−5	−863	−1,469	−2,473
Usage	−2,230	−2,711	−2,168	−2,135	−9,243
Currency translation adjustments	22	−91	201	204	336
BALANCE AS AT 31 DECEMBER 2021	**5,952**	**1,577**	**8,877**	**15,951**	**32,357**
Adjustments for hyperinflation	12	125	–	3	140
Sale of subsidiary	–	–	–	−207	−207
Additions recognised in income statement	971	220	368	3,490	5,050
Reversals	−324	−1,057	−414	−2,929	−4,724
Usage	−491	−356	−795	−443	−2,085
Other movements	–	–	–	341	341
Transfer to held-for-sale	–	–	−794	−638	−1,432
Release to income statement	–	–	−2,734	–	−2,734
Currency translation adjustments	−18	−177	32	284	121
BALANCE AS AT 31 DECEMBER 2022	**6,101**	**333**	**4,542**	**15,851**	**26,827**
Usage within a year	1,130	80	200	1,616	3,025
Usage after a year	4,972	253	4,342	14,235	23,802

Other long-term employee benefits

Other long-term employee benefits include provisions for medium-term bonus schemes, jubilee payments and extra leave entitlements.

Termination benefits

The provision for termination benefits relates to expected payments to terminate the employment of an employee or group of employees before the normal termination date. The balance relates to a small number of employee-related litigations and obligations of relatively small size.

Litigation

Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions are not employee related. Legal provisions depend on court proceedings so no assumptions related to future events have been disclosed.

Miscellaneous

Miscellaneous provisions include a provision for restructuring-related expenses as well as items which cannot be classified under one of the other captions such as provisions for guarantee payments. The provision for restructuring-related expenses is not material (2021: not material).

32 Share capital and share premium

At 31 December 2022, the authorised capital amounted to EUR 250 million (2021: EUR 250 million), divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. The share premium includes the amount paid in excess of the nominal value of the share capital.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

33 Other reserves

	Translation reserve	Post-employment benefit reserve	Hedging reserve	Hyperinflation reserve	Total
BALANCE AS AT 31 DECEMBER 2020	**–132,468**	**–7,606**	**–1,308**	**–**	**–141,382**
Gains/(losses) arising during the year	–8,905	1,415	1,744	–	–5,746
Related income tax	–	–309	–436	–	–745
BALANCE AS AT 31 DECEMBER 2021	**–141,372**	**–6,499**	**–**	**–**	**–147,872**
Restatement due to hyperinflation	–	–	–	142,234	142,234
BALANCE AS AT 1 JANUARY 2022	**–141,372**	**–6,499**	**–**	**142,234**	**–5,637**
Gains/(losses) arising during the year	–71,939	11,555	–	5,431	–54,953
Related income tax	–	–3,032	–	–	–3,032
BALANCE AS AT 31 DECEMBER 2022	**–213,311**	**2,024**	**–**	**147,665**	**–63,622**

Translation reserve

The movement in 2022 is caused by appreciation of the euro against the main local currencies, mainly the Turkish lira and Pound sterling. An amount of EUR 39 million was released because it related to LeasePlan United States, divested in Q4 2022.

Post-employment benefit reserve

The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.

Hyperinflation reserve

The Group has reported the restatement effect on equity, due to the hyperinflation economy of the Turkish subsidiary, in this specific reserve. The reserve includes the gain of the year that is part of profit and loss and it is shown in the caption Exchange rate differences in the statement of other comprehensive income. For more information please refer to Basis of preparation section.

34 Retained earnings

Dividend

In 2022 LeasePlan has declared dividends for an amount of EUR 1.2 billion for which EUR 608.9 million is related to the 2021 profit obtained after the second quarter of 2021, and interim dividend of EUR 585.6 million is related to the Group's reported net income up to the second quarter of 2022, after AT1 interest expense.

Profit appropriation

Reference is made to the company financial statements on the appropriation of profits for the year and the movements in the reserves.

Transfer

During 2022 a transfer has been made from retained earnings for the accrual of the interest coupon on AT1 capital securities in an amount of EUR 36.9 million (2021: EUR 36.9 million).

35 AT1 capital securities

In May 2019 LeasePlan Corporation N.V. (fully owned by LP Group B.V.) issued EUR 500 million in capital securities, including transaction costs in the amount of EUR 5 million. The capital securities qualify as Additional Tier 1 capital (AT1) and are undated, deeply subordinated, resettable and callable. Redemption is discretionary to LeasePlan Corporation N.V. five years after the issue date, unless permitted by applicable banking regulations or on each interest payment date thereafter at their prevailing principal amount, together with accrued and unpaid interest.

There is a fixed interest coupon of 7.375% per annum, payable semi-annually.

Accrued interest in 2022 on AT1 capital securities amounts to EUR 36.9 million. In 2022 an amount of EUR 36.9 million was paid related to the period November 2021 to November 2022, including EUR 3.4 million accrued in 2021. The remaining part of EUR 3.4 million is payable in May 2023, therefore as at the reporting date this amount does not yet represent a liability.

Interest is non-cumulative and fully at the discretion of LeasePlan Corporation N.V. so any failure by the issuer to pay interest or the prevailing principal amount when due in respect of the capital securities shall not constitute an event of default and does not give holders any right to demand repayment of the prevailing principal amount.

For all the reasons above, LeasePlan Corporation N.V. classified and accounted the capital securities and related interest accruals, as equity and not debt.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

36 Commitments

The Group has entered into commitments relating to the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 5.8 billion (2021: EUR 4.8 billion) as at the balance sheet date. The increase is driven by a high order book impacted by the semiconductor chips shortages initially caused by Covid-19 and currently by the continuing war between Ukraine and Russia. These commitments are entered into in the ordinary course of business and the majority is back-to-back matched with lease contracts entered into with customers.

The commitments relating to short-term leases and low-value leases are EUR 4.0 million and EUR 0.4 million respectively.

The Group has issued guarantees to the total value of EUR 387 million (2021: EUR 412 million) of which EUR 385 million (2021: EUR 411 million) is related to residual value guarantees issued to clients.

37 Related parties

Identity of related parties

Related parties and enterprises, as defined by IAS 24, are parties and enterprises which can be influenced by the company or which can influence the company.

As of 21 March 2016, LP Group B.V. became the shareholder of the company. LP Group B.V. represents a group of long-term responsible investors and includes ADIA, ATP, Broad Street Investments, GIC, PGGM and TDR Capital. None of these investors has (an indirect) controlling interest in the company. Business relations between the company, LP Group B.V. and their indirect shareholders and their subsidiaries are handled on normal market terms.

TDR Capital has a controlling interest in Constellation Automotive Group. In October 2021 Constellation Automotive Group, which already had a controlling interest in British Car Auction (BCA), acquired LeasePlan's participating interest in CN Group B.V. and brought all entities in Constellation Automotive Holdings. In return LeasePlan obtained newly issued ordinary shares in Constellation Automotive Holdings. LeasePlan continues doing business with BCA and CN Group B.V. and selling ex-lease vehicles on an arm's length basis under a long-term service agreement. The result of the transactions with Constellation Automotive Holdings for 2022 is not material at Group level. The amount of accounts receivables outstanding with Constellation Automotive Holdings is EUR 3.9 million. As at 31 December 2022, sales revenues from transactions with Constellation Automotive Holdings amount to EUR 0.8 billion.

Transactions between the company and its subsidiaries mainly comprise long-term funding and cost allocation of Group activities as described in ***Note 3***. All business relations with the Group's subsidiaries are conducted in the ordinary course of business and on arm's length basis.

Transactions between LeasePlan Corporation N.V. and its subsidiaries are eliminated on consolidation. Reference is made to ***Note 11*** of the company financial statements for further details with respect to investments in and loans to subsidiaries. For a list of the principal consolidated participating interests, reference is made to Other information to the financial statements.

All business relations with investments accounted for using the equity method are in the ordinary course of business and are handled on normal market terms. An amount of EUR 110.5 million (2021: EUR 200 million) is provided as loans to investments accounted for using the equity method (***Note 19***). In relation to the loans to investments accounted for using the equity method in the company financial statements, reference is made to its ***Note 12***.

The interest income recognised by the Group on these funding transactions amounts to EUR 1.5 million (2021: EUR 1.9 million). Furthermore, the Group charged a service fee amounting to EUR 0.6 million (2021: EUR 0.5 million) to the investments accounted for using the equity method.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

37 Related parties *continued*

Transactions with the Managing Board

The Managing Board consists of the key management personnel. In addition to their salaries, the Group provides non-cash benefits to the Managing Board and contributes to post-employment defined contribution plans on their behalf. The Managing Board is also the statutory executive board of the company. Remuneration of the Managing Board is disclosed, as required by Part 9 Book 2 of the Dutch Civil Code.

The statutory board remuneration is as follows:

	2022	2021
Fixed remuneration	3,480	3,480
Other short-term employee benefits	1,409	1,065
Post-employment benefits	35	39
Other long-term employee benefits	2,526	1,701
Termination benefits[1]	–	–
TOTAL	**7,451**	**6,285**

[1] *Includes remuneration relating to the period after the board membership ended and severance of former board members.*

The Group has not granted any loans, guarantees or advances to members of the Managing Board. The Managing Board does participate in a Management Investment Plan (details provided in the Management Investment Plan section below).

For information on the remuneration principles of the Managing Board, please refer to the Remuneration Report.

Remuneration of the members of the Supervisory Board

The following table summarises the income components for the seven independent members of the Supervisory Board.

In euros	2022	2021
Mr Jos Streppel	191,000	195,000
Dr Herta von Stiegel	118,500	108,500
Mr Steven van Schilfgaarde	118,500	128,000
Mrs Allegra van Hövell-Patrizi	24,750	104,500
Mr Paul Scholten	111,500	106,500
Mr Eric-Jan Vink	91,000	96,500
Mr Stefan Orlowski	72,575	–

The remuneration awarded to each Supervisory Board member is reflective of the meetings attended.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

37 Related parties *continued*

Management Investment Plan

Selected members of LeasePlan management, including Managing Board members, have made an indirect investment alongside the Consortium in LeasePlan through a Management Investment Plan (the 'MIP'). The MIP is not linked to employee performance or remuneration, but operates as a separate investment instrument via which participants have invested their own capital in the company at their own risk in return for depository receipts. These investments expose each participant to the full economic risk of LeasePlan's business.

To facilitate the allocation of the MIP investment to individual employees, the investment in the MIP is held indirectly via a management holding company ('ManCo'). ManCo issues shares to a specially incorporated foundation that issues depositary receipts to each participant as evidence of the investment. These depositary receipts expose the participant to the full economic risks of the underlying shares held by ManCo in an indirect parent company of LeasePlan.

The ability of a participant to dispose of their investment is linked to the Consortium's exit. Typically, a participant will be able to sell a proportion of the investment equal to the proportion sold by the Consortium at exit, subject to certain conditions including 'lock-ups' as appropriate. If a participant ceases to be employed by a LeasePlan Group company prior to an exit, the participant may be required to sell part or all of the depositary receipts. The price payable for the depositary receipts will depend on the reason and timing of the cessation of the participant's employment. As LeasePlan has no obligation to repurchase depositary receipts from a participant or to make any other cash payments to the participants under the MIP, the arrangement is classified as an equity-settled share-based payment.

ManCo is capitalised with a mix of ordinary shares, preference shares and a loan. Management participants subscribed for depositary receipts for ordinary shares, while the Consortium subscribed for ordinary shares and preference shares in ManCo. When the Consortium exits its investment in LeasePlan, the preference shares will automatically convert into ordinary shares in ManCo. The rate at which the preference shares convert will depend on the returns achieved by the Consortium at the time of exit.

The movements in the number of shares that the participants have indirectly acquired under the MIP are as follows:

	2022	2021
BALANCE AS AT 1 JANUARY	**24,534,347**	**21,317,347**
Issued	–	3,294,000
(Re)purchased	–113,000	–77,000
BALANCE AS AT 31 DECEMBER	**24,421,347**	**24,534,347**

The participants have a total of EUR 24.4 million invested via ManCo in LeasePlan Corporation N.V. (2021: EUR 24.5 million). Of that number, the total aggregated investment of Managing Board members is EUR 4.7 million (2021: EUR 4.7 million).

The acquisition price of the ordinary shares in ManCo represents the fair market value of those shares, being in line with the subscription price as paid by the Consortium for their interest in the ordinary shares. Accordingly, there is no impact on the Group's results or its financial position from the MIP.

The company or another Group entity will under no circumstances be required to settle in cash. Accordingly, this arrangement is classified as an equity-settled share-based investment arrangement. The company therefore determines the fair value of the shares at the grant date and recognises, if applicable, an expense for the services received over the service period with a corresponding increase in equity.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

38 Fair value of financial instruments

The table below summarises the Group's financial assets and financial liabilities, of which the derivatives are measured at fair value and the other financial assets and other financial liabilities are measured at amortised cost on the balance sheet as at 31 December 2022. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value of financial instruments

As at 31 December 2022

In thousands of euros	Carrying value	Fair value Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Derivatives financial instruments in hedge	771	–	771	–	771
Derivatives financial instruments not in hedge	544,369	–	544,369	–	544,369
Investments in equity securities	78,719	51,919	–	26,800	78,719
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Cash and balances at central banks	7,117,329				
Investments in debt securities	44,422	41,862	–	–	41,862
Receivables from financial institutions	887,511				
Lease receivables from clients	2,045,230	–	2,080,819	–	2,080,819
Loans to investments using the equity method	110,500	–	109,235	–	109,235
Investments in equity accounted investments	18,421				
Other receivables and prepayments[1]	565,368				
TOTAL FINANCIAL ASSETS	**11,412,640**	**93,781**	**2,735,194**	**26,800**	**2,855,775**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Derivatives financial instruments in hedge	385,395	–	385,395	–	385,395
Derivatives financial instruments not in hedge	164,436	–	164,436	–	164,436
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Funds entrusted	10,852,278	–	10,831,050	–	10,831,050
Trade and other payables and deferred income[1]	871,653				
Borrowings from financial institutions	3,032,320	–	2,994,433	–	2,994,433
Debt securities issued	9,055,215	–	9,014,857	–	9,014,857
TOTAL FINANCIAL LIABILITIES	**24,361,297**	**–**	**23,390,172**	**–**	**23,390,172**

[1] *Other receivables and other payables that are not financial assets or liabilities are not included.*

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

38 Fair value of financial instruments *continued*

Fair value of financial instruments

As at 31 December 2021

In thousands of euros	Carrying value	Fair value Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Derivatives financial instruments in hedge	51,715	–	51,715	–	51,715
Derivatives financial instruments not in hedge	124,451	–	124,451	–	124,451
Investments in equity securities	133,826	71,326	–	62,500	133,826
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Cash and balances at central banks	5,447,685				
Investments in debt securities	43,394	43,788	–	–	43,788
Receivables from financial institutions	687,651				
Lease receivables from clients	3,492,981	–	3,450,053	–	3,450,053
Loans to investments using the equity method	200,000	–	204,200	–	204,200
Investments in equity accounted investments	16,716				
Other receivables and prepayments[1]	338,930	–	338,930	–	338,930
TOTAL FINANCIAL ASSETS	**10,537,349**	**115,114**	**4,169,350**	**62,500**	**4,346,964**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Derivatives financial instruments in hedge	43,009	–	43,009	–	43,009
Derivatives financial instruments not in hedge	65,409	–	65,409	–	65,409
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Funds entrusted	10,334,671	–	10,375,499	–	10,375,499
Trade and other payables and deferred income[1]	918,565				
Borrowings from financial institutions	3,324,010	–	3,335,665	–	3,335,665
Debt securities issued	9,401,924	–	9,590,006	–	9,590,006
Loans from equity investments	25,000				
TOTAL FINANCIAL LIABILITIES	**24,112,588**	**–**	**23,409,587**	**–**	**23,409,587**

[1] *Other receivables and Other payables that are not financial assets or liabilities are not included.*

For certain other receivables (Rebates and bonuses and commissions receivable, Reclaimable damages and Interest to be received) and payables (Trade payables and Interest payable) with a remaining term well below one year, the carrying value is deemed to reflect the fair value.

There were no changes in valuation techniques during the year nor transfers between levels.

Financial instruments in level 1

The fair value of level 1 financial instruments is based on quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The acquired equity investment in SG Fleet and investments in debt securities are measured using level 1 input.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

38 Fair value of financial instruments *continued*

Financial instruments in level 2

Level 2 inputs are inputs other than quoted market prices included within level I. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximise the use of observable market input data available and rely only for insignificant input on entity specific estimates. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps and cross currency swaps calculated as the present value of the estimated future cash flows based on observable yield curves at commonly quoted intervals, while considering the current creditworthiness of the counterparties.
- The yield curve for all collateralised derivatives is based on the overnight index swap (OIS) rate (the vast majority of the Group's derivatives are collateralised, and therefore the necessity for other observable market inputs such as CVA, DVA, FVA adjustments is negated).
- The valuation methodology of the cross-currency swaps includes a liquidity premium (which swaps less liquid currencies into those that are considered more liquid in the market and vice versa).
- The counterparty's Probability of Default is estimated using market CDS spreads resulting in credit valuation adjustments.
- The Group's own creditworthiness and Probability of Default are estimated using inputs such as secondary spreads and cost of funding curve as well as information from counterparties resulting in a debit valuation adjustment.
- Other techniques, such as discounted cash flow analysis based on observable interest rates or yield curves at commonly quoted intervals, are used to determine the fair value for the remaining financial instruments.

Financial instruments in level 3

This category includes financial instruments whose fair value is determined using a valuation technique for which a significant part of the inputs in terms of the overall valuation are not market observable. Unobservable in this context means that there is little or no current market data available from which to derive a price that an unrelated, informed buyer would purchase the asset or liability at.

The equity securities in Constellation Automotive Holdings S.a.r.l., included in Investments in equity securities, are measured using a level 3 fair value.

For subsequent measurement of the equity investment in Constellation Automotive Holding S.a.r.l. the Group applies a level 3 market approach using an enterprise value to revenue multiple observed in the market for comparable companies to Constellation Automotive Holdings S.a.r.l. business being valued. The deal multiple implied in the initial transaction price at 4 October 2021 was compared to the enterprise value to revenue multiples of the group of listed peer companies at that date. A company-specific discount compared to the market multiple was determined as at 4 October 2021 to reflect the characteristics of Constellation Automotive Holdings S.a.r.l. and is applied to adjust the market multiple in subsequent measurement. Relevant assumptions such as market multiple, company specific discount and peer group are reviewed in subsequent reporting periods. The net debt position of Constellation Automotive Holdings S.a.r.l. that impacts the equity value is updated every reporting period.

The Group applies the market multiple in the valuation as at 31 December 2022, as it has changed outside a corridor of +/-10% of the initial multiple. The change in the fair value of the equity securities of EUR 35.7 million is recognised in other income.

The fair value of the share in Constellation Automotive Holdings S.a.r.l. as at 31 December 2022 is EUR 26.8 million (31 December 2021: EUR 62.5 million).

The sensitivity of the fair value to a change in the multiple of 10% amounts to approximately EUR 6 million.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

39 Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the balance sheet	Net amounts of financial instruments presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash collateral received	Net amount
AS AT 31 DECEMBER 2022						
Derivative financial assets – 2022	545,140	–	545,140	–545,140	–	–
Derivative financial liabilities – 2022	549,831	–	549,831	–545,140	–138,450	–133,759
AS AT 31 DECEMBER 2021						
Derivative financial assets – 2021	176,167	–	176,167	–108,417	42,590	110,339
Derivative financial liabilities – 2021	108,417	–	108,417	–108,417	–	–

For the financial assets and liabilities subject to enforceable master netting agreements or similar agreements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both intend to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. Except for derivative financial instruments, there are no other financial assets or liabilities subject to offsetting.

40 Transfer of (financial) assets

The Group engages in various securitisation transactions (reference is made to ***Note 15***, ***Note 20*** and ***Note 21*** of the consolidated financial statements of the Group and ***Note 13*** of the company financial statements). Because of such transactions (financial) assets are transferred from the originating LeasePlan subsidiaries to special-purpose companies. The special-purpose companies are controlled by the company and included in the consolidated financial statements, and, in view of this, the transferred (financial) assets are not de-recognised in their entirety from a Group perspective.

	Loans and receivables: Receivables from clients (finance leases)	Loans and receivables: Receivables from financial institutions (collateral deposited)	Loans and receivables: Property and equipment under operating lease	Total
AS AT 31 DECEMBER 2022				
CARRYING AMOUNT				
Assets	259,474	30,815	3,090,582	3,380,871
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,336,762
NET CARRYING AMOUNT POSITION				**1,044,109**
For those liabilities that have recourse only to the transferred assets				
FAIR VALUE				
Assets	264,787	30,815	3,181,117	3,476,718
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,337,989
NET FAIR VALUE POSITION				**1,138,729**
AS AT 31 DECEMBER 2021				
CARRYING AMOUNT				
Assets	331,799	56,429	2,346,348	2,734,576
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,850,740
NET CARRYING AMOUNT POSITION				**883,836**
For those liabilities that have recourse only to the transferred assets				
FAIR VALUE				
Assets	315,829	56,429	2,297,088	2,669,345
Associated liabilities				
Bonds and notes originated from securitisation transactions				1,859,323
NET FAIR VALUE POSITION				**810,022**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

41 Contingent assets and liabilities

In October 2022, the credit facility of EUR 5.6 million, made available to companies for which a non-controlling interest is held, was terminated.

The probability of any inflow of economic benefits arising from the contingent assets is difficult to estimate and remote. Accordingly, no asset is recognised in the balance sheet.

42 Events occurring after balance sheet date

No material events occurred after 31 December 2022 that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 31 December 2022 or the result for the period ended 31 December 2022.

Company financial statements

Statement of profit or loss of the company for the year ended 31 December

Amounts in thousands of euros	Note	2022	2021
REVENUES		**356,672**	**271,176**
Finance cost	*3*	281,457	243,367
Unrealised (gains)/losses on financial instruments		–235,800	–95,507
DIRECT COST OF REVENUES		**45,657**	**147,860**
GROSS PROFIT		**311,015**	**123,316**
Other operating expenses	*5*	21,814	13,030
Other depreciation and amortisation	*14*	2,157	1,082
TOTAL OPERATING EXPENSES		**23,971**	**14,112**
Other income	*7*	394,532	142,958
RESULT BEFORE TAX AND SHARE IN RESULT IN INVESTMENTS		**681,576**	**252,162**
Income tax expenses	*8*	–51,337	–7,162
Share of profit in equity accounted investments	*11 & 12*	1,305,294	772,414
NET RESULT		**1,935,533**	**1,017,415**

An amount of EUR 549 million (2021: represented EUR 279 million) is related to discontinued operations. Please refer to ***Note 11*** of the consolidated financial statements.

Company financial statements *continued*

Statement of financial position of the company as at 31 December

Amounts in thousands of euros	Note	2022	2021
ASSETS			
Cash and balances at central banks	9	7,117,323	5,447,677
Investments in equity and debt securities	7	51,919	71,326
Receivables from financial institutions	10	265,424	87,966
Loans to subsidiaries	11	14,551,200	15,440,521
Investments in subsidiaries	11	4,310,054	3,578,975
Loans to and investments in notes issued by special purpose companies	13	194,076	193,312
Loans to investments accounted for using the equity method	12	110,500	200,000
Investments accounted for using the equity method	12	16,205	15,179
Intangible assets	14	1,168	1,265
Other assets	15	1,258,420	668,936
TOTAL ASSETS		**27,876,289**	**25,705,157**
LIABILITIES			
Borrowings from financial institutions	16	1,189,709	1,129,408
Funds entrusted	17	10,753,544	10,236,609
Debt securities issued	18	6,727,763	7,559,545
Provisions	19	14,227	17,143
Other liabilities	20	3,622,836	1,982,560
TOTAL LIABILITIES		**22,308,078**	**20,925,265**
EQUITY			
Share capital		71,586	71,586
Share premium		506,398	506,398
Legal reserves		150,825	1,229,845
Other reserves		−63,763	−147,872
Retained earnings excluding net result		2,506,575	1,641,463
Net result current year		1,898,653	980,535
EQUITY OF OWNERS OF THE PARENT	21	**5,070,273**	**4,281,955**
AT1 capital securities		497,937	497,937
TOTAL EQUITY		**5,568,210**	**4,779,892**
TOTAL EQUITY AND LIABILITIES		**27,876,289**	**25,705,157**

Notes to the company financial statements

All amounts are in thousands of euros, unless stated otherwise

1 General

For certain notes to the company's balance sheet, reference is made to the notes to the consolidated financial statements.

The company's financial statements are prepared pursuant to the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRSs pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code.

In accordance with Article 362 sub 8, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these company financial statements are the same as those applied in the consolidated financial statements; reference is made to ***Note 2*** – Basis of preparation of the consolidated financial statements.

Under reference to Article 362 sub 8, Part 9, Book 2 of the Dutch Civil Code, the investments accounted for using the equity method are also measured in accordance with IFRS as applied in the consolidated financial statements of the company.

Investments in subsidiaries and in investments accounted for using the equity method

The investments in subsidiaries are accounted for in accordance with the net value of assets and liabilities, based upon accounting policies used in the consolidated financial statements. If the net asset value is negative, it will be stated at nil. If and insofar as the Group can be held fully or partially liable for the debts of the subsidiary, or has the firm intention of enabling the subsidiary to settle its debts, a provision is recognised for this.

The company applies RJ 100.107a, which implies that the expected credit losses on intercompany loans and receivables in the company financial statements are eliminated according to the Dutch accounting standards chapter 260 'De verwerking van resultaten op intercompany-transacties in de jaarrekening'.

Loans to and investments in notes issued by special purpose companies

Loans provided to special purpose companies and investments in notes issued by special purpose companies do not meet the condition in IFRS 9 that the cash flows represent solely payments of principal and interest. As a consequence, these loans and investments are measured at fair value through profit or loss. The impact of the change in fair value measurement of these intercompany loans and investments in debt securities is adjusted in the investments in subsidiaries. The fair value changes are eliminated in accordance with RJ 100.107a.

2 Interest and similar income from subsidiaries and other interest income

In 2022 the company recognised EUR 30.2 million (2021: EUR 4.7 million) as other interest income. The variance compared to last year is mainly due to changes in interest rates with positive impact on the interest received on deposits to central banks.

3 Finance cost

	2022	2021
Interest expenses on debt securities	115,641	99,059
Interest expenses on funds entrusted	34,856	27,882
Interest expenses on borrowings from financial institutions and other	130,959	116,426
TOTAL	**281,457**	**243,367**

4 Managing Board remuneration

Detailed information on remuneration of the Managing Board and the members of the Supervisory Board is included in ***Note 37*** – Related parties to the consolidated financial statements. For information on the remuneration policy of the Managing Board, please refer to the Group Remuneration Report.

5 Other operating expenses

Other operating expenses include professional fees, office overheads and other general expenses. The company does not directly employ any staff.

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

6 Audit fees

The table below shows the fees attributable for services provided by the Group auditors. The fees are presented as part of the caption Other operating expenses.

	2022			2021
	KPMG NL	KPMG other	Total KPMG	Total KPMG
Audit services	2,888	4,360	7,248	8,156
Audit related services	137	164	300	418
Other (non-audit) services	–	31	31	–
TOTAL SERVICES	**3,025**	**4,555**	**7,579**	**8,574**

For the period to which the statutory audit relates, KPMG has provided the following services to LeasePlan Corporation:

- Audit of financial statements;
- Quarterly reviews and the audit for regulatory purposes;
- Procedures relating to prospectuses;
- Agreed upon procedures for regulatory purposes.

7 Other income

This caption includes the unrealised negative fair value adjustment on the investment in equity instruments related to SG Fleet Group for an amount of EUR 19.4 (2021: EUR 8.7 million), the dividend income from the investment of EUR 4.5 million and the gain from the sale of LeasePlan United States for an amount of EUR 409 million.

Please refer to ***Note 11*** – Discontinued operations and ***Note 14*** – Investments in equity and debt securities of the consolidated financial statements for more information.

8 Income tax

The company forms a fiscal unity with LP Group B.V. regarding corporate income tax and VAT. Reference is made to ***Note 10*** of the consolidated financial statements.

	2022	2021
CURRENT TAX		
Current tax on result for the year	–4,266	–10,483
Adjustment in respect of prior years	–9,027	–8,687
TOTAL CURRENT TAX	**-13,293**	**-19,170**
DEFERRED TAX		
Origination and reversal of temporary differences	64,630	28,030
Changes in tax rates	–	–1,698
TOTAL DEFERRED TAX	**64,630**	**26,332**
TOTAL	**51,337**	**7,162**

9 Cash and balances at central banks

The majority of this amount is cash deposited at the Dutch Central Bank of which a part is the mandatory reserve deposit that amounts to EUR 99 million (2021: EUR 98 million) which is not available for use in the Group's day-to-day operations.

10 Receivables from financial institutions

A breakdown of this caption is as follows:

	2022	2021
Amounts receivable from banks	41,357	34,838
Cash collateral deposited for derivatives	224,067	53,128
BALANCE AS AT 31 DECEMBER	**265,424**	**87,966**

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

11 Investments in and loans to subsidiaries

Movements in investments in Group companies are as follows:

	2022	2021
BALANCE AS AT 1 JANUARY	**3,578,975**	**3,320,585**
Hyperinflation	191,496	–
Result for the year	1,301,909	752,320
Sale of subsidiary	–314,289	–228,837
Capital contribution	–	100,144
Dividend received	–374,538	–351,173
Direct changes in equity	8,687	1,113
Revaluations	–4,806	2,587
Currency translation adjustments	–77,380	–17,763
BALANCE AS AT 31 DECEMBER	**4,310,054**	**3,578,975**

Reference is made to the list of principal consolidated participating interests.

During 2022 the participating interest in LeasePlan United States was sold. Please refer to ***Note 11*** – Discontinued operations of the consolidated financial statements.

Revaluations relate to the negative net asset value of subsidiaries based on Group accounting standards. The direct changes in equity relate to the actuarial gains and losses recognised on defined benefit post-employment plans.

The maturity analysis on loans to subsidiaries is as follows:

	2022	2021
Three months or less	1,753,398	2,008,018
Longer than three months less than a year	3,879,278	4,288,502
Longer than a year, less than five years	8,918,524	9,144,001
BALANCE AS AT 31 DECEMBER	**14,551,200**	**15,440,521**

12 Investments accounted for using equity method and loans to investments

The investment only relates to a joint venture in the United Arab Emirates.

Movements are as follows:

	2022	2021
BALANCE AS AT 1 JANUARY	**15,179**	**14,861**
Share of results	3,232	1,959
Dividend received	–3,079	–2,771
Revaluations	–88	–49
Currency translation adjustments	960	1,178
BALANCE AS AT 31 DECEMBER	**16,205**	**15,179**

The loans only relate to a joint venture entity of the Group (France).

The maturity analysis on the loans to joint ventures is as follows:

	2022	2021
Three months or less	19,000	24,500
Longer than three months, less than a year	52,000	65,000
Longer than a year, less than five years	39,500	110,500
BALANCE AS AT 31 DECEMBER	**110,500**	**200,000**

The company has entered into loan commitments of EUR 110.5 million (2021: EUR 200.0 million) of which EUR 110.5 million has been drawn at 31 December 2022 (2021: EUR 200.0 million). There are no other material contingent liabilities of the joint ventures.

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

13 Loans to and investments in notes issued by special purpose companies

This caption includes investments in special purpose companies involved in securitisation programmes concluded by LeasePlan Group. The Group consolidates the special purpose companies as control is retained. LeasePlan Corporation N.V. (the company) provided a subordinated loan to Bumper DE S.A. 2019-I for an amount of EUR 126.6 million. The subordinated loan to Bumper DE S.A. 2019-I has a floating interest rate and the legal maturity date is November 2023.

In addition the company provided liquidity reserve to Bumper DE S.A. 2019-I (EUR 2.0 million) and to Bumper FR 2022-1 (EUR 3.9 million).

The company acquired B-notes in Bumper FR 2022-1 (EUR 32.5 million) and Bumper NL 2020-I (EUR 29 million). The B-notes of Bumper FR 2022-1 have a legal maturity date of June 2026. The B-notes of Bumper NL 2020-I B.V. have a legal maturity date of April 2025.

	2022	2021
Bumper DE S.A. 2019-1	128,582	128,582
Bumper FR 2022-1	3,994	–
TOTAL LOANS TO SPECIAL PURPOSE COMPANIES	**132,576**	**128,582**
Bumper FR 2022-1	32,500	–
Bumper NL 2020-1 B.V.	29,000	29,000
Bumper UK 2019-1 Finance PLC	–	35,730
TOTAL INVESTMENTS IN NOTES ISSUED BY SPECIAL PURPOSE COMPANIES	**61,500**	**64,730**
BALANCE AS AT 31 DECEMBER	**194,076**	**193,312**

14 Intangible assets

	Internally generated software development	Software licences	Customer relationship	Assets under construction – intangible	Total
CARRYING AMOUNT AS AT 1 JANUARY 2021	**–**	**349**	**1,464**	**–**	**1,813**
Amortisation	–	–182	–366	–	–548
CARRYING AMOUNT AS AT 31 DECEMBER 2021	**–**	**167**	**1,098**	**–**	**1,265**
Cost	–	2,727	3,659	–	6,386
Accumulated amortisation and impairment	–	–2,560	–2,561	–	–5,121
CARRYING AMOUNT AS AT 1 JANUARY 2022	**–**	**167**	**1,098**	**–**	**1,265**
Purchases/additions	203	–	–	222	425
Amortisation	–34	–121	–366	–	–521
CARRYING AMOUNT AS AT 31 DECEMBER 2022	**169**	**46**	**732**	**222**	**1,168**
Cost	203	2,727	3,659	222	6,811
Accumulated amortisation and impairment	–34	–2,681	–2,927	–	–5,642
CARRYING AMOUNT AS AT 31 DECEMBER 2022	**169**	**46**	**732**	**222**	**1,168**

15 Other assets

Besides derivative financial instruments this caption includes a corporate income tax receivable from fiscal authorities and Group companies forming part of the fiscal unity. The company settles corporate income tax due or receivable on taxable income with its Group companies forming part of the fiscal unity as if these Group companies were responsible for their tax filings on a stand-alone basis.

The other assets are made up as follows:

	2022	2021
Derivative financial instruments	545,068	176,047
Tax receivable	33,996	8,677
Amounts receivable from group companies	232,473	288,458
Other	446,883	195,754
BALANCE AS AT 31 DECEMBER	**1,258,420**	**668,936**

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

15 Other assets *continued*

Below a summary disclosure of the hedging instruments is presented. Derivative financial instruments are carried at fair value and are made up as follows. Hedging gains or losses are recognised in the statement of profit or loss in the caption 'Unrealised gains/(losses) on financial instruments'.

Hedging instruments

	31 December 2022						
		Fair value					
	Notional amounts	Assets	Liabilities	Change in FV used in calculating hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amounts reclassified from the hedge reserve to profit or loss	Hedge ineffectiveness recognised on hedge relationships, in profit or loss
FAIR VALUE HEDGE							
Interest rate swaps	5,499,097	771	380,404	–373,261			–1,332
Cross currency swaps/forwards	52,031	–	4,991	–1,202			–70
TOTAL DERIVATIVES IN HEDGE	**5,551,128**	**771**	**385,395**	**–374,463**	**–**	**–**	**–1,402**
Interest rate swaps	19,534,730	304,389	122,362	132,062			
I/C Interest rate swaps	3,102,339	59,437	5				
Cross currency swaps/forwards	5,398,343	180,471	42,074	53,183			
TOTAL DERIVATIVES NOT IN HEDGE	28,035,413	544,296	164,441	185,245	–	–	–
TOTAL	**33,586,541**	**545,068**	**549,836**	**–189,218**	**–**	**–**	**–1,402**

	31 December 2021						
		Fair value					
	Notional amounts	Assets	Liabilities	Change in FV used in calculating hedge ineffectiveness	Change in value of the hedging instrument recognised in OCI	Amounts reclassified from the hedge reserve to profit or loss	Hedge ineffectiveness recognised on hedge relationships, in profit or loss
FAIR VALUE HEDGE							
Interest rate swaps	6,774,611	51,715	40,147	–91,482	–	–	1,514
Cross currency swaps/forwards	78,263	–	2,862	–1,489	–	–	–17
CASH FLOW HEDGES							
Interest rate swaps	–	–	–	1,729	1,744	–1,729	15
TOTAL DERIVATIVES IN HEDGE	**6,852,875**	**51,715**	**43,009**	**–91,242**	**1,744**	**–1,729**	**1,512**
Interest rate swaps	24,745,887	49,514	24,406	64,247	–	–	–
I/C Interest rate swaps	1,918,319	7,206	312	–	–	–	–
Cross currency swaps/forwards	4,718,169	67,612	40,692	–1,137	–	–	–
TOTAL DERIVATIVES NOT IN HEDGE	**31,382,374**	**124,331**	**65,410**	**63,110**	**–**	**–**	**–**
TOTAL	**38,235,249**	**176,047**	**108,419**	**–28,131**	**1,744**	**–1,729**	**1,512**

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

15 Other assets *continued*

Hedged items

Below a summary disclosure of the hedged items is presented. A number of fixed rate bonds are included in fair value hedges whereby the notes (the hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged.

	31 December 2022			Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH[1] adjustment included in the carrying amount
		Fair value			
	Notional amounts	Assets	Liabilities		
FAIR VALUE HEDGE					
Interest rate swaps	5,499,097	–	5,158,004	371,929	363,508
Cross currency swaps/forwards	47,597	–	47,179	1,132	917
TOTAL DERIVATIVES IN HEDGE	**5,546,694**	**–**	**5,205,183**	**373,061**	**364,425**

	31 December 2021			Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH[1] adjustment included in the carrying amount
		Fair value			
	Notional amounts	Assets	Liabilities		
FAIR VALUE HEDGE					
Interest rate swaps	6,774,611	–	6,804,202	92,996	–8,421
Cross currency swaps/forward	74,298	–	75,377	1,472	–215
TOTAL DERIVATIVES IN HEDGE	**6,848,910**	**–**	**6,879,578**	**94,467**	**–8,636**

[1] *FVH Fair value hedge – CFH Cash flow hedge.*

16 Borrowings from financial institutions

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans are as follows:

	2022	2021
Less than three months	139,709	79,408
Longer than a year, less than five years	1,050,000	1,050,000
BALANCE AS AT 31 DECEMBER	**1,189,709**	**1,129,408**

Borrowings from financial institutions include an outstanding balance of EUR 1.3 million (2021: EUR 36.3 million) which is non-euro currency denominated as at 31 December 2022. The remainder of the borrowings from financial institutions is denominated in euro. The related average interest rate was 3.1% (2021: 1.1%).

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

17 Funds entrusted

The maturity analysis of funds entrusted is as follows:

	2022	2021
Three months or less	8,153,984	6,975,663
Longer than three months less than a year	1,701,180	1,995,303
Longer than a year, less than five years	898,379	1,265,643
BALANCE AS AT 31 DECEMBER	**10,753,544**	**10,236,609**

This caption shows deposits raised by LeasePlan Bank of which 31.6% (2021: 39.4%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. The LeasePlan Bank also operates on the German banking market with a cross border offering from the Netherlands.

The average interest rates on the outstanding balances of the savings deposits in original maturity terms are as follows:

	2022	2021
Three months or less	1.10%	0.03%
Longer than three months less than a year	0.79%	0.38%
Longer than a year, less than five years	0.71%	0.73%
Longer than five years	n/a	n/a

The interest rate of the on-demand accounts is set monthly. The funds entrusted are denominated in euro.

18 Debt securities issued

This caption includes negotiable, interest-bearing securities, held at amortised cost.

	2022	2021
Bonds and notes – other	7,092,188	7,550,909
Bonds and notes – other (fair value adjustment)	−364,425	8,636
BALANCE AS AT 31 DECEMBER	**6,727,763**	**7,559,545**

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2022	2021
Average interest rate	1.8%	1.3%

The maturity analysis of the debt securities issued is as follows:

	2022	2021
Three months or less	29,749	689,258
Longer than three months less than a year	1,841,359	968,400
Longer than a year, less than five years	4,763,356	5,790,353
Longer than five years	93,299	111,535
BALANCE AS AT 31 DECEMBER	**6,727,763**	**7,559,545**

The debt securities include an outstanding balance of EUR 1.4 billion (2021: EUR 1.4 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro.

19 Provisions

The provision relates to subsidiaries with a negative net asset value based on Group accounting standards.

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

20 Other liabilities

The other liabilities are composed of:

	2022	2021
Loans from group companies	1,642,139	1,243,603
Accounts payable to group companies	1,244,372	505,236
Derivative financial instruments	549,836	108,419
Other accruals and deferred income	83,182	95,974
Corporate income tax payable	92,806	17,124
Lease liabilities	10,502	12,205
BALANCE AS AT 31 DECEMBER	**3,622,836**	**1,982,560**

Other accruals and deferred income mainly includes accrued interest payable. Dividends payable of EUR 1,194 million are included in the Accounts payable to group companies as at 31 December 2022 (31 December 2021: EUR 372 million). For derivative financial instruments reference is made to the table in ***Note 15***.

The maturity analysis of the loans from Group companies is as follows:

	2022	2021
Three months or less	138,127	237,899
Longer than three months less than a year	5,000	10,000
Longer than a year, less than five years	1,499,011	995,704
BALANCE AS AT 31 DECEMBER	**1,642,139**	**1,243,603**

21 Equity

Share capital

As at 31 December 2022, the authorised capital amounted to EUR 250 million, divided into 250,000,000 ordinary shares with a nominal value of EUR 1.00 each, of which EUR 71.6 million is issued and paid up. There were no movements in the issued and paid up capital in 2022 and 2021. The movement in shareholders' equity is as follows:

In thousands of euros	Share capital	Share premium	Legal reserves	Other non-distributable reserves	Retained earnings	Net result current year	Equity of owners of the parent	AT1 capital securities	Total equity
BALANCE AS AT 1 JANUARY 2021	**71,586**	**506,398**	**1,074,490**	**–141,382**	**1,953,372**	**215,872**	**3,680,335**	**497,937**	**4,178,272**
Net result	–	–	–	–	–	1,017,415	1,017,415	–	1,017,415
Transfer – accrued interest on AT1 capital securities	–	–	–	–	–	–36,880	–36,880	36,880	–
Other comprehensive income	–	–	–	–6,490	–	–	–6,490	–	–6,490
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**–6,490**	**–**	**980,535**	**974,045**	**36,880**	**1,010,925**
Transfer from/to	–	–	155,355	–	–155,355	–	–	–	–
Appropriation of net result	–	–	–	–	215,872	–215,872	–	–	–
Interim dividend declared	–	–	–	–	–372,425	–	–372,425	–	–372,425
Interest coupon paid on AT1	–	–	–	–	–	–	–	–36,880	–36,880
BALANCE AS AT 31 DECEMBER 2021	**71,586**	**506,398**	**1,229,845**	**–147,872**	**1,641,463**	**980,535**	**4,281,955**	**497,937**	**4,779,892**
Restatement due to hyperinflation	–	–	–	191,496	–	–	191,496	–	191,496
BALANCE AS AT 1 JANUARY 2022	**71,586**	**506,398**	**1,229,845**	**43,624**	**1,641,463**	**980,535**	**4,473,450**	**497,937**	**4,971,387**
Net result	–	–	–	–	–	1,935,533	1,935,533	–	1,935,533
Transfer – accrued interest on AT1 capital securities	–	–	–	–	–	–36,880	–36,880	36,880	–
Other comprehensive income	–	–	–	–107,387	–	–	–107,387	–	–107,387
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**–107,387**	**–**	**1,898,653**	**1,791,266**	**36,880**	**1,828,146**
Transfer from/to	–	–	362,702	–	–362,702	–	–	–	–
Appropriation of net result	–	–	–	–	980,535	–980,535	–	–	–
Final dividend declared	–	–	–	–	–608,850	–	–608,850	–	–608,850
Interim dividend declared	–	–	–	–	–585,593	–	–585,593	–	–585,593
Interest coupon paid on AT1	–	–	–	–	–	–	–	–36,880	–36,880
BALANCE AS AT 31 DECEMBER 2022	**71,586**	**506,398**	**1,592,547**	**–63,763**	**1,064,853**	**1,898,653**	**5,070,273**	**497,937**	**5,568,210**

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

21 Equity *continued*

Other non-distributable reserves amounting to EUR 63.8 million (negative) include Translation adjustment reserve of EUR 213.5 million (negative) offset by hyperinflation reserve of EUR 147.7 million (positive). Legal reserves are non-distributable reserves required for specific purposes in line with Part 9, Book 2, of the Dutch Civil Code and/or by local law. The legal reserves are the minimum reserves to be maintained for the non-distributable share in cumulated profits of subsidiaries and investments accounted for using the equity method.

Proposed profit appropriation

In April 2022, a dividend was declared equal to the net results for the second half of 2021. This dividend, in the amount of EUR 608.9 million, was paid in January 2023 by LeasePlan Corporation N.V. to its shareholder LP Group B.V.

In September 2022, an (interim) dividend was declared equal to the net results for the first half of 2022. This dividend, in the amount of EUR 585.6 million, was paid in January 2023 by LeasePlan Corporation N.V. to its shareholder LP Group B.V. Furthermore, EUR 80 million of the 2022 net result has been added to the CET1 capital per 31 December 2022 to further strengthen the management buffer.

The total 2022 net result attributable to the equity owners of the parent amounts to EUR 1,898.5 million. The Managing Board proposes to the general meeting of shareholders to add part of the net result 2022 in the amount of EUR 1,312.9 million (consisting of EUR 80.0 million of net result for the first half year not distributed as an interim dividend and the EUR 1,232.9 million of net result for the second half of the year) to the retained earnings and at this point in time not to resolve on the distribution of the net result. The net result relating to the second half year of 2022, amounting to EUR 1,232.9 million, is excluded from CET1 capital, with the intention of management to distribute this, in part or full, to its shareholders in the foreseeable future.

22 Commitments

Loan commitments have been concluded with investments accounted for using the equity method amounting to EUR 110.5 million (2021: EUR 200.0 million) of which 110.5 is drawn (2021: 200.0 million) (reference is made to ***Note 12***).

Other commitments are related to rental lease payments EUR 4.0 million (2021: EUR 4.9 million). Furthermore other guarantees related to buildings leased remains unchanged EUR 0.8 million (2021: EUR 0.8 million).

23 Contingent liabilities

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, the company has filed a declaration of joint and several liabilities with respect to the majority of the subsidiaries in the Netherlands. Abridged financial statements have accordingly been prepared for these subsidiaries.

The company forms a fiscal unity with a number of Group companies in the Netherlands regarding corporate income tax and VAT. As a result, the company can be held jointly liable for tax returns of those subsidiaries.

As at 31 December 2022 guarantees had been provided on behalf of the consolidated subsidiaries outside the Netherlands. These guarantees had been provided in respect of commitments entered into by those companies and amount to a value of EUR 1.9 billion (2021: EUR 1.7 billion).

24 Subsequent events

No material events occurred after 31 December 2022, except of those disclosed in the ***Note 42*** – Events occurring after balance sheet date to the consolidated financial statements that require disclosure in accordance with the provisions in Part 9, Book 2, of the Dutch Civil Code, by applying the accounting policies used in the consolidated financial statements under IFRS pursuant to the provisions of Article 362 sub 8, Part 9, Book 2, of the Dutch Civil Code, nor events affecting the financial position of the company as at 31 December 2022 or the result for the year then ended.

Amsterdam, 22 March 2023

Managing Board

Tex Gunning, CEO and Chairman

Jochen Sutor, CRO

Toine van Doremalen, CFO

Supervisory Board

Jos Streppel, Chairman

Steven van Schilfgaarde, Vice-Chairman

Herta von Stiegel

Eric-Jan Vink

Paul Scholten

Stefan Orlowski

Other information

Other information

1 Distribution of profit

Provision of the Articles of Association on the profit appropriation, Article 31

1. The Managing Board shall in respect of distributable profits make a proposal for the distribution of a dividend and the allocation to the general reserve. Such a proposal is subject to the approval of the General Meeting.
2. With due observance of paragraph 1 of this article, the distributable profits shall be at the disposal of the General Meeting for distribution of dividend or to be added to the reserves or for such other purposes within the company's objectives as the meeting shall decide. In calculating the amount of profit to be distributed in respect of each share, only the amount of the mandatory payments towards the nominal amount of the shares shall be considered.
3. The company may make distributions to shareholders and other persons entitled to distributable profits only to the extent that the shareholders' equity exceeds the sum of the paid and called-up part of the share capital and the reserves which must be maintained by law. In calculating the appropriation of profits, the shares held by the company in its own share capital shall not be considered.
4. Distribution of profits shall take place after the adoption of the annual accounts which show that the distribution is permitted.
5. The General Meeting may resolve to distribute one (1) or more interim dividends and/or other interim distributions, provided that the requirement laid down in paragraph 3 of this article has been met as shown in an interim statement of assets and liabilities as referred to in Article 2:105(4) of the Dutch Civil Code.
6. Dividends shall be payable immediately after they have been declared, unless the General Meeting provides otherwise.
7. The claim for payment of dividends shall lapse on the expiry of a period of five (5) years.

Other information *continued*

2 List of principal consolidated participating interests

Pursuant to Article 379, Part 9, Book 2, of the Dutch Civil Code a full list of Group companies and investments accounted for using the equity method complying with the relevant statutory requirements has been filed with the Chamber of Commerce. Unless stated otherwise, the percentage interest is 100% or nearly 100%.

All holdings are in the ordinary share capital of the undertaking concerned. Reference is made to notes of the consolidated financial statements for disposals of subsidiaries in ***Note 11***. LeasePlan United States was divested in 2022.

Principal subsidiaries, which are fully included in the consolidated financial statements, are:

LeasePlan Brasil Ltda., Brazil

LeasePlan Česká republika s.r.o., Czech Republic, classified as held for sale as per November 2022

LeasePlan Danmark A/S, Denmark

LeasePlan Deutschland GmbH, Germany

LeasePlan Digital B.V., the Netherlands

LeasePlan Finland Oy, Finland, classified as held for sale as per November 2022

LeasePlan Fleet Management N.V., Belgium

LeasePlan Fleet Management (Polská) Sp. z.o.o., Poland

LeasePlan Fleet Management Services Ireland Limited, Ireland

LeasePlan France S.A.S., France

LeasePlan Hellas S.A., Greece

LeasePlan Hungária Gépjárműpark Kezelö és Finanszírozó Zártkörű Részvénytársaság, Hungary

LeasePlan India Private Limited, India

LeasePlan Italia S.p.A., Italy

LeasePlan Luxembourg S.A., Luxembourg, classified as held for sale as per November 2022

LeasePlan México S.A. de C.V., Mexico

LeasePlan Nederland N.V., the Netherlands

LeasePlan Norge A/S, Norway

LeasePlan Österreich Fuhrparkmanagement GmbH, Austria

LeasePlan Portugal Comércio e Aluguer de Automóveis e Equipamentos Unipessoal Lda., Portugal

LeasePlan Romania S.R.L., Romania

LeasePlan Rus LLC, Russia

LeasePlan (Schweiz) AG, Switzerland

LeasePlan Service Center, Romania

LeasePlan Servicios S.A., Spain

LeasePlan Slovakia s.r.o., Slovakia

LeasePlan Sverige AB, Sweden

LeasePlan Otomotive Servis ve Ticaret A.Ş. Turkey

LeasePlan UK Limited, United Kingdom

LeasePlan USA, Inc., USA, divested on 1 December 2022

Euro Insurances Designated Activity Company, Ireland

LeasePlan Finance B.V., the Netherlands

LeasePlan Information Services Limited., Ireland, merged with LeasePlan Digital B.V. on 1 August 2022

LeasePlan Global B.V., the Netherlands

Special purpose companies with no shareholding by the Group are:

Bumper UK 2019-I, England

Bumper DE 2019-I, Germany

Bumper BE 2021-1, Belgium

Bumper NL 2020-I B.V., the Netherlands

Bumper UK 2021-I Finance PLC, England

Bumper FR 2022-1, France

Bumper NL 2022-1 B.V., the Netherlands

Principal investments accounted for using the equity method in the consolidated financial statements are:

LeasePlan Emirates Fleet Management – LeasePlan Emirates LLC, United Arab Emirates (49%)

PLease S.C.S., France (99.3%)

Flottenmanagement GmbH, Austria (49%)

Pursuant to the provisions of Article 403 f, Part 9, Book 2, of the Dutch Civil Code, a declaration of joint and several liability with respect to the financial obligations of the majority of the participating interests in the Netherlands is filed. Such declaration is filed for the following participating interests.

AALH Participaties B.V.

Accident Management Services (AMS) B.V.

Firenta B.V.

LeasePlan CN Holding B.V., the Netherlands

LeasePlan Digital B.V.

Lease Beheer Holding B.V.

Lease Beheer Vastgoed B.V.

LeasePlan Global B.V. (formerly Lease Beheer N.V.)

LeasePlan Finance B.V.

LeasePlan Nederland N.V.

Transport Plan B.V.

LeasePlan Rechtshulp B.V. (formerly WeJeBe Leasing B.V.)

Independent auditor's report

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of LeasePlan Corporation N.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V. as at 31 December 2022 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and

— the accompanying company financial statements give a true and fair view of the financial position of LeasePlan Corporation N.V as at 31 December 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2022 of LeasePlan Corporation N.V. (“LeasePlan” or “The Company”) based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2022;

2 the following consolidated statements for 2022: the statement of profit or loss, the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the statement of financial position of the company as at 31 December 2022;

2 the statement of profit or loss of the company for 2022; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Independent auditor's report *continued*

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of LeasePlan Corporation N.V in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Summary

Materiality

- Materiality of EUR 50 million
- 3% of the actual profit before tax (continued operations).

Group audit

- Audit coverage of 92% of total assets
- Audit coverage of 91% of revenue
- Audit coverage of 90% of profit before tax

Fraud/Noclar and Going concern

- Fraud & Non-compliance with laws and regulations (Noclar) : presumed risk of management override of controls and revenue recognition for service income.
- Going concern : no going concern risks identified.

Key audit matters

- Valuation of operating lease assets.
- Revenue Recognition for service income.

Independent auditor's report *continued*

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 50 million(2021: EUR 30 million). The materiality is determined with reference to actual profit before tax (continued operations) (3%). We consider profit before tax (continued operations) as the most appropriate benchmark because we believe that it is a relevant metric for assessment of the financial performance of LeasePlan. Materiality has changed compared to last year due to an increase of the profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 2.5 million (2021: EUR 1.5 million) would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

LeasePlan is at the head of a group of components. The financial information of this group is included in the financial statements of LeasePlan.

Our group audit mainly focused on significant components. The group is engaged in fleet and vehicle management services, mainly through operating lease and was active through 41 components in 31 countries in 2022.

We have included 14 significant components in scope of our group audit, located in 12 different countries. We have identified components as significant when they are either individually financially significant due to their relative size compared to LeasePlan as a whole or because we assigned a significant risk of material misstatement to one or more account balances of the component.

We also performed a full scope audit on 11 out of 27 of the non-significant components.

Group entities located in the Netherlands are audited by KPMG Accountants N.V. Components located abroad in scope for group reporting are audited by KPMG Member firms. We sent detailed instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported to us.

We set component materiality levels, which ranged from EUR 3 million to EUR 17.5 million, based on the mix of size and financial statement risk profile of the components within the group to reduce the aggregation risk to an acceptable level.

For the execution of our group audit we:

— performed off-site file reviews of the work performed by component auditors in Mexico, Ireland, Spain, Hungary, Belgium and Italy;

Independent auditor's report *continued*

- held virtual meetings with all the component auditors in scope of our audit; and
- held virtual meetings with the IT audit team in Ireland for group wide IT services and performed off-site file reviews.

In addition to the above, on 3 October 2022, we hosted a physical global audit planning meeting for the senior staff involved in the audit at group level and components of the group. Purpose of this meeting was to discuss and agree our audit risk assessment and our global audit approach. Representatives of the LeasePlan organisation in finance, risk and IT provided an overview of key developments in the organisation.

For the residual population not in scope we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

The consolidation of the group, the disclosures in the financial statements and certain accounting topics that are performed at group level are audited by the group engagement team at the headquarter in Amsterdam, where central functions such as control, reporting and tax, risk management, strategic finance and group internal audit are located. The items audited by the group audit team, include, but are not limited to, assessment of the use of the going concern assumption, assessment of the necessity of prospective depreciation, the valuation and impairment of operating lease assets, the valuation of expected credit loss recognised in respect to finance lease receivables and trade receivables for non-defaulted customers, goodwill impairment testing and taxation for the Dutch fiscal unity.

The audit coverage as stated in the section summary can be further specified as follows:

Total assets

89%	3%	8%
Audit of the complete reporting package	Audit of specific items	Covered by additional procedures at group level

Revenue

89%	2%	9%
Audit of the complete reporting package	Audit of specific items	Covered by additional procedures at group level

Independent auditor's report *continued*

Audit response to the risk of fraud and non-compliance with laws and regulations

In chapter 'Risk Management' of the annual report, the management board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit, Legal Counsel and Compliance. As part of our audit procedures, we:

- assessed other positions held by management board members and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- evaluated correspondence with supervisory authorities and regulators as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and identified the following areas as those most likely to have a material effect on the financial statements:

- Capital requirement Directive IV (CRD IV);
- Wet op het financieel toezicht (Wft);
- Anti-Money Laundering (AML)/Financial Economic Crime (FEC); and
- Data privacy regulation (GDPR).

We evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Management override of controls (a presumed risk).

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively such as estimates related to the valuation of operating lease assets and the revenue recognition for service income.

Independent auditor's report *continued*

Responses:

- We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries and estimates related to the valuation of operating lease assets and the revenue recognition for service income.
- We performed a data analysis of high-risk journal entries that are indicative of management override of control and evaluated key estimates and judgments for bias by the Company's management, including retrospective reviews of prior years' estimates with respect to the valuation of operating lease assets, the revenue recognition for service income and the impact of the expected merger with ALD. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.

We incorporated elements of unpredictability in our audit, including potential bias by the Company's management in relation to the expected merger with ALD.

Revenue recognition for service income (a presumed risk).

Risk:

- We assess the accounting of revenue for service income as a complex and judgmental area, which gives management the opportunity to manipulate the recognized revenue for service income, which has a potential impact on the results of the company.

Response:

We refer to key audit matter 'Revenue recognition for service income'.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that could have a material effect on amounts recognised or disclosures provided in the financial statements.

Audit response to going concern

The management board has performed its going concern assessment and has not identified any significant going concern risks. To assess the management board's assessment, we have performed, inter alia, the following procedures:

- we considered whether the management board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we analysed the company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks.

The outcome of our risk assessment procedures on the going concern assessment, including our consideration of findings from our audit procedures on other areas, did not give reason to perform additional audit procedures on management's going concern assessment.

Independent auditor's report *continued*

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to Management and the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Compared to last year the key audit matter with respect to the accounting of the carve-out of Carnext B.V./ Acquisition by Constellation Automotive Group is not included as this related to the specific transaction that has taken place in the financial year of 2021.

Valuation of Operating lease assets

Description

LeasePlan's portfolio of vehicles under operating lease contracts rental fleet and vehicles available for lease amounts to EUR 20.1 billion as at 31 December 2022. These vehicles are measured at cost less accumulated depreciation and impairments. Management makes an assessment of the residual value and the useful life of leased vehicles at year-end. Determining residual values and useful lives involves management judgement and is subject to a high degree of estimation uncertainty, which has increased due to increased volatility in second hand car prices since the beginning of the COVID-19 crisis. Changes are either accounted for as an impairment charge or as a change in accounting estimate through prospective depreciation.

Impairment assessment is performed at cash generating unit level. The residual value is an estimate of the amount that could be received from disposal of the vehicle at the reporting date if the asset was already of the age and in the condition that it will be in when LeasePlan expects to dispose of it. Residual value does not include expected future inflation or expected increases and decreases in the ultimate disposal value.

The Group's Asset Risk Management department monitors the actual asset performance of each reporting entity against the defined asset risk appetite. Reporting entities assess the estimated residual values of the existing operating lease portfolio by comparing contracted residual values and book values to the latest expectations of market prices, by means of the so-called 'fleet risk assessment'. Certain aspects of this assessment require significant judgement, such as developments of the used car markets, the impact of technological developments and changing laws and regulations affecting the residual value of vehicles. On top of that, management performs impairment trigger assessments and impairment calculations, as and when applicable, for identified loss making contracts.

The risk for the financial statements is that the re-assessment of these residual values through the prospective depreciation is prone to error due to significant estimation uncertainty and therefore the valuation of operating lease assets could be misstated or that the impairment on operating lease assets might be misstated due to an incomplete assessment as well as inappropriate assumptions.

Independent auditor's report *continued*

Due to the significance of the operating lease assets, the related risk of error and the significance of the estimation uncertainty, we consider the valuation of the operating lease assets as key audit matter.

Our response

We obtained an understanding of the asset risk management framework as designed and implemented at group level and at reporting entity level.

At group level we analysed the main developments and trends resulting from the fleet risk assessment. At reporting entity level we reconciled and tested samples of the data used in the fleet risk assessments (FRA) to underlying source systems and assessed the reasonableness of the valuation assumptions used in the FRA.

We have specifically assessed that management actions and compensating elements as well as other risk bearing elements of the lease contract (i.e. repair, maintenance and tyre replacement) are excluded from the assessment of prospective depreciation at group level. We have assessed the retrospective review of FRA results. Furthermore, we tested the accuracy and completeness of the prospective depreciation assessment.

We have assessed and challenged management's impairment trigger assessment performed at each reporting entity, with a focus on the timely detection of impairments existing at client lease contract level. For this purpose we have assessed the profit or loss from disposal of vehicles ('PLDV') for the most recent months, assessed developments in the FRA predictions and inspected if customers are overall loss-making.

For impairments recognised we tested the appropriateness of the impairment models used and the key assumptions applied by management for which variations had the most significant impact on the level of impairments. We involved our valuation specialists to assess the adequacy of the applied impairment models and to evaluate the reasonableness of key parameters used. We engaged local KPMG teams to vouch the correctness of key data used as input to the impairment model.

We assessed whether the disclosures appropriately address the measurement basis and uncertainties for prospective depreciation and impairments and draw attention to note 21 of the financial statements, which describes management's approach to determine the amount of the impairment of the operating lease portfolio as well as the main valuation uncertainties and sensitivities.

Our observation

Overall, we assess the assumptions used by management and related estimates resulted in a valuation of vehicles leased under operating lease contracts within a reasonable range and to be adequately disclosed in accordance with IFRS-EU in note 21 of the financial statements. We reported to management and the Supervisory Board our improvement observations on the control environment for the valuation of operating lease assets.

Independent auditor's report *continued*

Revenue recognition for service income

Description

As part of its Cars as a Service offering LeasePlan offers a range of bundled and stand-alone services as part of the lease contracts to meet the specific needs of clients. Apart from financing of vehicles, these services can include maintenance, fuel, accident and fleet management, rental and insurance.

Any volume related bonuses related to expenses are credited directly to expenses. Purchase bonuses received on purchases of vehicles for operating lease contracts are deducted from the purchase consideration and result in lower depreciation, whereas for finance lease contracts these bonuses are immediately recognized in the statement of profit or loss. In addition services may include pass on costs, collected on behalf of third parties such as fuel and road taxes that are not presented as revenues.

Revenues and costs of these service elements are recognised and considered on a separate basis, while the timing of the revenue recognition (over the term and/ or at the end of the contract) of certain service elements can also be impacted by the selected pricing model, closed or open calculation. For closed calculation contracts the overall risk result, both positive and negative, is borne by LeasePlan. For open calculation contracts, under certain circumstances the portion of the positive result from the lease contract is shared with the client upon termination of the lease contract.

We assess the accounting of revenue and cost of revenue for service income as a complex and judgemental area that also includes a risk of error and fraud and have therefore identified revenue recognition as key audit matter.

Our response

We have tested internal controls with respect to the various revenue streams and performed substantive audit procedures. Our procedures included amongst others substantive analytical procedures on the revenue streams and test of details on management's assumptions. We specifically tested management's assumptions in relation to the margins for RMT (repair, maintenance and tyres) services at reporting entity level (including audit procedures in relation to fraud). Amongst others we have performed a retrospective review on the realised service income in comparison to the budgeted service income.

We also performed substantive testing on the cut-off results and related accruals on terminated contracts for both open and closed calculation contracts. In addition we have performed procedures on the adequacy and consistency of the accounting policies applied. In this context we paid particular attention to the revenue recognition over the term of the contract for closed calculation contracts in relation to repair, maintenance and tyres services (RMT).

Our observation

Overall we assess the assumptions applied in the revenue recognition for service income (RMT) to be reasonable. We have shared our recommendations to management to reduce reliance on spreadsheets for this critical revenue stream.

Independent auditor's report *continued*

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the General Meeting of Shareholders as auditor of LeasePlan on 21 September 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Services rendered

For the period to which our statutory audit relates, in addition to this audit, we have provided the following services to the LeasePlan and its controlled undertakings:

— review of condensed consolidated interim financial statements for the first, second and third quarter 2022 in accordance with the International Standard on Review Engagements (ISRE 2410);

— audit of COREP and FINREP reporting to De Nederlandsche Bank N.V. (DNB) in accordance with Dutch Standards on Auditing;

— report on controls at a service organisation for the DGS reporting to DNB;

— agreed-upon procedures for the interest rate risk reporting to DNB;

Independent auditor's report *continued*

- audit of the statutory financial statements of a number of securitisation vehicles controlled by LeasePlan;
- assurance engagements with respect to prospectuses.

European Single Electronic Format (ESEF)

LeasePlan Corporation N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in XHTML format, including the (partly) marked-up consolidated financial statements as included in the reporting package by LeasePlan Corporation N.V., complies in all material respects with the RTS on ESEF.

The Managing Board is responsible for preparing the annual report including the financial statements in accordance with the RTS on ESEF, whereby the Managing Board combines the various components into one single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF. We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included among others:

- obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package;
- identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS on ESEF;
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Independent auditor's report *continued*

Description of responsibilities regarding the financial statements

Responsibilities of Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Managing Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the LeasePlan's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the LeasePlan's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Independent auditor's report *continued*

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl).
This description forms part of our auditor's report.

Amstelveen, 22 March 2023

KPMG Accountants N.V.

B.M. Herngreen RA

Sustainability assurance report of the independent auditor

Assurance report of the independent auditor

To: the General Meeting and the Supervisory Board of LeasePlan Corporation N.V.

Our conclusion

We have reviewed the selected sustainability indicators of LeasePlan Corporation N.V. (hereafter: 'the Company') for the year ended 31 December 2022 in the LeasePlan Annual Report 2022 (hereafter: 'the Annual Report'). A review is aimed at obtaining a limited level of assurance.

Based on the procedures performed nothing has come to our attention that causes us to believe that the selected sustainability indicators are not prepared, in all material respects, in accordance with the reporting criteria as described in the 'Reporting criteria' section of our report.

The sustainability indicators in scope are the following:

- New EV (electric vehicles) Activations;
- Average CO_2 tailpipe g/km per vehicle funded fleet;
- Tailpipe emissions CO_2 fleet (Carbon Footprint Scope 3);
- Diversity (percentage of female employees at top three layers); and
- Employee engagement plus score.

The sustainability indicators are disclosed in the Annual Report.

Basis for our conclusion

We performed our review in accordance with Dutch law, including Dutch Standard 3000A 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)' (assurance engagements other than audits or reviews of historical financial information (attestation engagements)). This engagement is aimed to obtain limited assurance. Our responsibilities in this regard are further described in the 'Auditor's responsibilities' section of our report.

We are independent of LeasePlan Corporation N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics). We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Reporting Criteria

The selected sustainability indicators need to be read and understood together with the reporting criteria. LeasePlan Corporation N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the selected sustainability indicators are the internal applied reporting criteria as disclosed in the 'Sustainability' chapter on pages 38 to 74 of the Annual Report.

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Sustainability assurance report of the independent auditor *continued*

The absence of an established practice on which to draw, to evaluate and measure the non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. Consequently, the non-financial information needs to be read and understood together with the reporting criteria used.

Materiality

Based on our professional judgement we determined materiality levels for each sustainability indicator. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the Company.

Scope of the group review

LeasePlan Corporation N.V. is the parent company of a group of entities. The sustainability indicators incorporate the consolidated information of this group of entities.

Our group review procedures consisted of both review procedures at corporate (consolidated) level and at entity level. Our selection of entities in scope of our review procedures is primarily based on the entity's individual contribution to the consolidated information.

By performing our review procedures at entity level, together with additional review procedures at corporate level, we have been able to obtain sufficient and appropriate assurance evidence to provide a conclusion on the sustainability information.

The Managing Board's and Supervisory Board's responsibilities

The Managing Board is responsible for the preparation of the selected sustainability indicators in accordance with the applicable criteria as described in the 'Reporting criteria' section of our report, including the identification of stakeholders and the definition of material matters.

Furthermore, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the selected sustainability indicators that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is, among other things, responsible for overseeing the LeasePlan Corporation N.V. reporting process.

Auditor's responsibilities

Our responsibility is to plan and perform our review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing, and are less in extent, compared to a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We apply the 'Nadere Voorschriften Kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Sustainability assurance report of the independent auditor *continued*

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3000A, ethical requirements and independence requirements.

Our review included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant societal themes and issues, and the characteristics of the Company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures of the selected sustainability indicators;
- Obtaining an understanding of the reporting processes for the selected sustainability indicators, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the selected sustainability indicators where a material misstatement, whether due to fraud or error, are most likely to occur, designing and performing assurance procedures responsive to these areas, and obtaining assurance information that is sufficient and appropriate to provide a basis for our conclusion. These procedures included, among others:
  - Interviewing management and relevant staff at corporate level responsible for the strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures over, and consolidating the data for the selected sustainability indicators;
  - Obtaining assurance information that the selected sustainability indicators reconcile with underlying records of the Company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends.
- Evaluating the consistency of the selected sustainability indicators with the information in the report which is not included in the scope of our review;
- Evaluating the presentation, structure and content of the selected sustainability indicators.

We have communicated with the Managing Board and the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amstelveen, 22 March 2023

KPMG Accountants N.V.

B.M. Herngreen RA

Glossary

AFM	The Dutch Authority for the Financial Markets (AFM) has been responsible for supervising the operation of the financial markets since 1 March 2002.
AT1	Additional Tier 1 capital securities.
CaaS	LeasePlan purchases, funds and manages vehicles for its customers, providing a complete end-to-end service through its Car-as-a-Service (CaaS) business for a typical contract duration of three to four years.
CAGR	Compound Annual Growth Rate.
Digital LeasePlan	This programme aims to move the Group towards becoming a data driven company delivering digital car services steered by the latest digital technology of data analytics, artificial intelligence and algorithms.
ECB	European Central Bank.
EOCF	End of contract fees.
EV	Electric vehicle.
FMCs	Fleet management companies.
ICE	Internal combustion engine.
LCV	Light commercial vehicles.
NCI	Non-controlling interest.
OEMs	Vehicle original equipment manufacturers.
PLDV	Profit-and-loss on Disposal of Vehicles.
PV	Passenger vehicle.
RMT	Repair, maintenance and tyres.
RV	Residual value of a vehicle.
LeasePlan Bank	The online retail deposit bank operated by LeasePlan Corporation N.V. under a banking licence from DNB.

LeasePlan Corporation

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