What's next

LeasePlan Annual Report 2020

What's next

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View Annual Report 2020 at www.leaseplan.com/corporate

04

At a glance

1.9m
total serviced fleet

06

Performance highlights

We delivered a solid underlying net result, while making significant strategic investments in our operations.

€406m
Underlying net result

16%
Revenue growth in CarNext.com

09

CEO statement

"LeasePlan delivered a solid underlying net result of EUR 406 million despite exceptionally challenging circumstances and investments in growth, our digital business model and CarNext.com. Most importantly, we were able to safely support our customers and employees throughout a very challenging year."

Tex Gunning, CEO, LeasePlan

13

Business

We are a leader in two large and growing markets: Car-as-a-Service and CarNext.com. LeasePlan also has an online retail bank, LeasePlan Bank.

Car-as-a-Service

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CarNext.com

MORE PAGE 34 ›

44

Strategy

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.

49

Financial & business review

LeasePlan finished the year in line with the plans we set out at the beginning of the crisis due to the fundamental resilience of our business. We are very positive about *What's next* as the pandemic accelerates demand for delivery vehicles and safe, personal vehicle subscriptions among SMEs and private customers.

57

Sustainability

We aim to achieve net zero emissions from our funded fleet by 2030.

98

Governance & leadership

At a glance

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At a glance[1]

LeasePlan is a leader in two large and growing markets: Car-as-a-Service for new cars, through its LeasePlan business, and the high-quality used-car market, through its CarNext.com digital platform.

Car-as-a-Service

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.

MORE PAGE 16 >

1963
founded

32
countries served worldwide

8,500[2]
employees

1.9m
total serviced fleet

1.3m
total funded fleet

Corporate
SME
Private
Mobility provider
Market segments

CarNext.com

CarNext.com is a pan-European digital platform for high-quality used cars. CarNext.com is supplied with vehicles from LeasePlan's own fleet as well as third-party suppliers.

MORE PAGE 34 >

22
countries served worldwide

45
delivery stores and pick-up points

+16%
2020 revenue increase

39,000
vehicles B2C retail sales

Doubling
online used-car sales

Growing
revenues from trusted third-party suppliers

1. *As at 31 December 2020*
2. *Includes CarNext.com employees*

Global reach

Fleet split[3]

400k
vehicles in
Rest of the world

1.4m
vehicles
in Europe

1.9m
total serviced
fleet

Revenue split[4]

€900m
revenues in
Rest of the world
10% of business

€9bn
revenues in
Europe
90% of business

Our strategy

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.

MORE PAGE 44 ›

1. **Implement NextGen Digital LeasePlan strategy to accelerate growth**
2. **Grow Car-as-a-Service**
3. **Grow CarNext.com**
4. **Achieve net zero tailpipe emissions from our funded fleet by 2030**
5. **Drive operational excellence**

Sustainable mobility

We aim to achieve net zero tailpipe emissions from our funded fleet by 2030.

MORE PAGE 60 ›

1. **Shaping the future of low-emission mobility**
2. **Strengthening our contribution to societal wellbeing**
3. **Reducing our own environmental impact**

3. Based on total serviced fleet
4. Includes CarNext.com

Performance highlights 2020[5]

We delivered a solid underlying net result, while making significant strategic investments.

Financial

+40m

Additional strategic investments in CarNext.com

Doubling

online used-car sales at CarNext.com

+16%

increase in CarNext.com revenues

Credit ratings[6]

Fitch: BBB+

Moody's: Baa1

S&P: BBB-

€406m

Underlying net result *(EUR)*

2020	406
2019	557
2018	576
2017	532
2016	455

1.9m

Number of vehicles[8] *(millions)*

2020	1.9
2019	1.9
2018	1.8
2017	1.7
2016	1.7

10.3%

Underlying return on equity[7] *(%)*

2020	10.3
2019	15.2
2018	17.3
2017	16.7
2016	14.9

39,000

B2C retail sales CarNext.com
(number of vehicles)

2020	39,000
2019	39,600

Sustainability[9]

Carbon footprint[10]

Scope 1
6.8 k tonnes

Scope 2
11.6 k tonnes

Scope 3
5m tonnes

14.9%

New EV orders[11]

2020	14.9%
2019	7.4%
Target by 2030	100%

84.3%

Employee engagement plus score[13]

2020	84.3
2019	79.5
2018	66
Target by 2021	75 or more

126 g/km

Average CO_2 tailpipe g/km per vehicle funded fleet[12]

2020	126
2019	133
Target by 2030	0 g/km

30%

Diversity[14]
(percentage of females at top three layers)

2020	30
2019	30
2018	27
2017	25
Target by 2021	30

5. As at 31 December 2020
6. LT senior, Fitch (negative), Moody's (stable), S&P (stable)
7. RoE is based on equity excluding the additional Tier 1 instrument. Including the AT1, RoE is 9.9% for FY 2020 and 14.6% for FY 2019
8. Total serviced fleet
9. The four non-financial indicators shown on the right were given limited assurance by our external auditors
10. Also see pages 60, 61 and 72
11. New orders of Battery Electric Vehicles (BEVs) plus Plug-in Hybrid Electric Vehicles (PHEV) in 2020, excluding USA. Limited assurance was provided for this indicator by our external auditors
12. It includes passenger vehicles (PVs) and light commercial vehicles (LCVs). The total for PVs was 116 g/km. 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
13. This KPI has received limited assurance from our external auditors
14. 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

Value creation at LeasePlan

As the world's leading Car-as-a-Service company, we create value for multiple stakeholders. We provide integrated mobility solutions for our diverse customer base, enabling them to fulfil their goals and ambitions. We offer our employees real opportunities for growth and development, as well as competitive wages. Our investors and lenders receive financial benefits (such as interest payments and dividends) through their investments in us. We also create value for society by promoting the uptake of newer, cleaner vehicles in our funded fleet of approximately 1.3 million vehicles, thereby helping businesses and individual drivers decrease their CO_2 footprint. Our value creation model presents the most relevant impact areas as it highlights the inputs and outputs of our business model, as well as related outcomes for stakeholders.

Input per capital

Human capital

Our 8,500 employees bring deeply rooted Car-as-a-Service and used-car remarketing experience that differentiates us in our markets. They drive our success and maintain our culture of service. We also invest to help our people develop the skills and competencies they need to thrive in today's highly competitive and disruptive digital environment. Read more about our people strategy on *page 65*.

Social and relationship capital

We have a high-quality customer base of Corporates, SMEs and Private individuals who look to us to provide solutions that meet their mobility needs. We also work closely with OEMs and other suppliers to deliver better propositions to the market, and with policymakers and NGOs to promote sustainability. Read more in the 'Business' section on *page 14* and public advocacy efforts on *page 63*.

Financial capital

Our diversified funding programme enables us to meet our funding and liquidity requirements. 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 form of online savings accounts in the Netherlands and Germany.

Manufactured capital

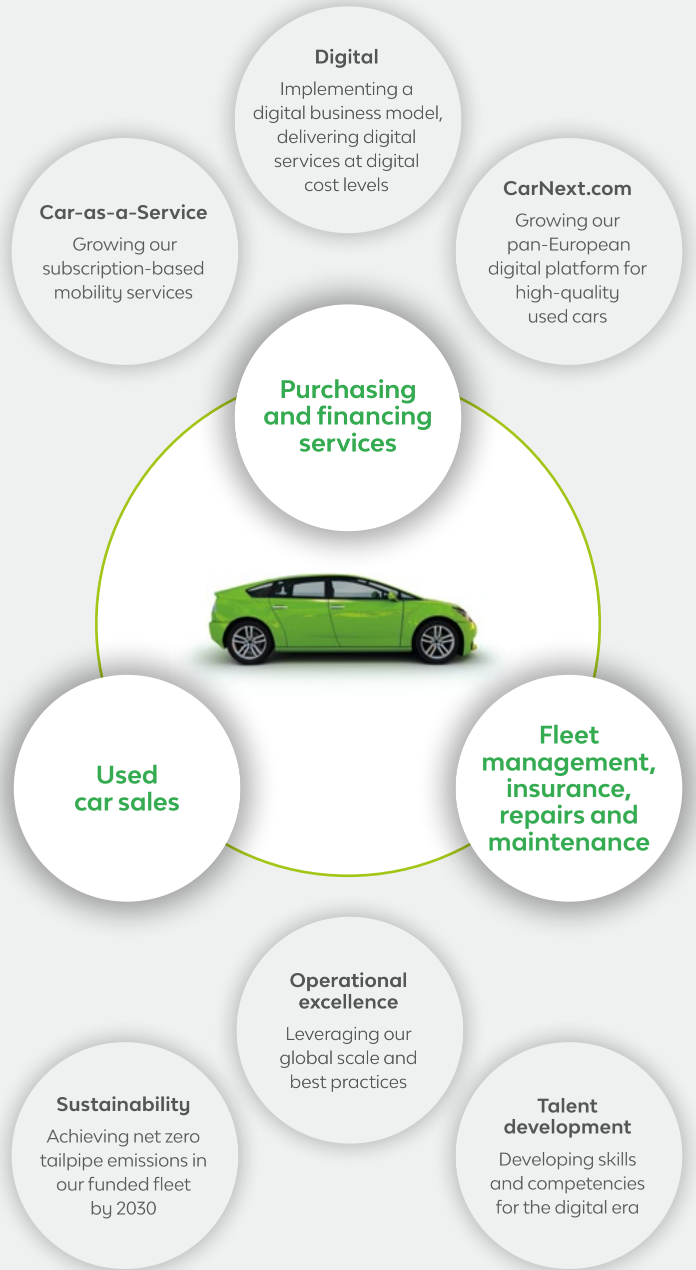
Our most important asset in terms of manufactured capital, is our funded fleet of approximately 1.3 million vehicles. These comprise a diverse mix of models, brands and powertrains in more than 30 countries worldwide. A rapidly growing portion of this fleet comprises battery electric vehicles with zero tailpipe emissions (+100% growth in EV new orders in 2020). In addition to providing vehicles to our Car-as-a-Service business, our fleet also provides a steady flow of high-quality used cars for our CarNext.com business. Read more about our fleet and how we use our vehicles in the 'Business' section on *page 14*.

Intellectual capital

We have over 55 years of experience in the Car-as-a-Service market. We apply our institutional memory, leading fleet management capabilities, scale and international presence, as well as investments in our digital business model, to create value for our customers and be a leading player in each of our markets.

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.



Output per capital

Human capital

- Competitive remuneration and benefits for employees
- Re-skilled workforce capable of meeting the challenges of changing markets
- Higher employee engagement (2020: 84.3%; 2019: 79.5%)

Social and relationship capital

- Integrated mobility solutions for our customers
- More low and zero emissions mobility solutions for customers
- Strong partnerships with our network of 70,000 independent service providers
- Supporting the transition to zero-emission mobility through partnerships with global NGOs

Financial capital

- Gross profit of EUR 1.4 billion generated largely through lease contracts
- Retail deposits of EUR 9.1 billion at year-end 2020
- Securitised notes (incl warehouse) of 2.4 billion at year-end 2020
- Bank lines (excl. warehouse) c.EUR 3.3 billion
- Strong liquidity position and capital ratios
- Investment grade ratings LT senior (S&P: BBB-, Fitch: BBB+, Moody's: Baa1)

Manufactured capital

- Highly diversified modern funded fleet
- Growing EV fleet: 14.9% of new orders in 2020
- Sharply declining orders for diesel passenger vehicles
- Lower energy usage at our offices

Intellectual capital

- Continued digital transformation with improved services and lower costs
- Enhanced development of EV expertise to support customers in their transition to sustainable mobility
- Smart data enabling an array of extra services for customers and improved pricing capabilities
- New digital products and services developed for businesses and fleet managers
- Best practices shared across the company globally, leading to operational excellence

Outcomes by stakeholder

Employees

- Employees are empowered by having responsibility for their careers and development
- Enhanced skills and capabilities in the workforce (40,000 learning hours in 2020)
- Facilitated working from home for our 8,500 employees
- Job satisfaction (employee engagement score of 84.3%)
- Diverse and non-discriminatory workplace (30% of females in top three layers)

Customers

- Full package EV solutions in 16 countries
- Digital Car-as-a-Service tools for fleet managers and drivers.
- SafePlan Zero programme for improved road safety
- CarNext.com B2B and B2C online solutions
- Working towards greater customer satisfaction

Society

- Tax revenues of EUR 53 million in 2020
- 90% of suppliers covered by Supplier Code of Conduct
- New Counterparty Due Diligence (CDD) project underway
- New Anti-Money Laundering, Counter-terrorist Financing and Sanctions Policy and Standard
- Improved Sustainalytics Risk Rating score to 'Low' in 2020 (2019: 'Medium')

Environment

- Reduced air pollution, with growing EV fleet (2020: 7.5%; 2019: 4%)
- Lower CO_2 emissions from funded fleet (2020: 5 m tonnes of CO_2; 2019: 5.5 m tonnes)
- Lower CO_2 emissions through increased use of renewable energy in LP buildings (2020: 41%; 2019: 19%)

Investors

- Net result of EUR 253 million
- Underlying net result of EUR 406 million
- CarNext.com revenues EUR 138 million
- Return on equity of 10.3%**

** RoE is based on equity excluding the Additional Tier 1 instrument. Including the AT1, RoE is 9.9%.*

CEO statement

Tex Gunning CEO, LeasePlan Corporation

CEO statement

2020 was a year that left no one untouched: every one of us had to deal with some combination of isolation, anxiety and – in far too many cases – loss. Looking back, we are very grateful to our customers for their loyalty in these exceptional times, and we are very proud of all LeasePlanners across the world for their competence, dedication and commitment to our business while working from home since March 2020.

Despite the unprecedented circumstances of 2020, LeasePlan proved again the resilience of its business model and delivered a solid underlying net result of EUR 406 million, ending the year with stable fleet growth, all while safely supporting our customers and employees throughout a very challenging year. We also continued to prepare for the accelerated growth opportunities we see ahead, making significant investments in our digital transformation and CarNext.com.

Our Car-as-a-Service business delivered a robust underlying net result of EUR 486 million. The lockdowns increased demand for e-commerce related delivery vehicles and we saw strong growth in our private lease fleet. That said, Covid-related supply chain constraints slowed overall growth and had a negative impact on volume-related rebates and bonuses. Given the economic impact of Covid-19 on our customers, we also had to take provisions for potential credit losses.

2020, however, was not just the year in which we 'managed' the impact of the crisis – it was also the year we continued to innovate and transform to prepare for the opportunities of a changing world. This included pioneering the next generation of digital fleet management solutions with some of the world's leading online retailers, as well as winning some of the biggest contracts in our history. We also stood up for the progressive values that make our company unique, including making further steps in our transition to zero emissions, supported by our second EUR 500 million Green Bond. Above all, we did it together, keeping LeasePlanners connected, engaged and motivated through the launch of our 'NextGen LeasePlan Community'. This culminated in our highest ever employee engagement score – a testimony not only to the success of the initiative, but also to our collective will to get through the crisis together.

Looking ahead, we are very excited about *What's next* for our industry, and believe we can achieve so much more. As a result of the megatrend from vehicle ownership to hassle-free subscription models, over the next ten years we expect accelerated growth in all Car-as-a-Service market segments, including International, Domestic corporate, SME and Private. Growth is also being fuelled by:

- The continued conversion of financial lease markets into operational leasing across all segments in line with the full-service subscription megatrend
- The increasing demand for e-commerce related delivery vehicles (LCVs) in the Corporate and SME segments
- Increasing desire for Car-as-a-Service among SME & Private customers, who value the safety, certainty and financial predictability offered by Car-as-a-Service subscriptions

Going forward, we will unlock this significant growth potential through the continued execution of our *What's next* strategy.

Central to our plans is a single overriding strategic imperative: to digitise our business model. LeasePlan's ability to capture the growth we see ahead of us is inextricably linked to our consistent delivery of better digital services at lower cost than our competitors. Achieving this requires nothing less than the complete digitisation of our business model, and I am pleased to say that we made excellent progress in 2020 – for example, launching our LCV Fleet Manager Portal, which enables customers to proactively monitor and manage their fleet via real-time insights, as well as the continued rollout of the My Fleet reporting tool to an additional 80,000 fleet managers. At the strategic level, we also used 2020 to prepare for the complete digital transformation of our operating model and the implementation of our Next Generation Digital Architecture across the company, defining a detailed three-stage implementation approach that is already well underway. When complete, LeasePlan will not only be able to create new online businesses based on our core competencies (as we are already doing with CarNext.com), but also be able to digitally integrate new services from across the broader Car-as-a-Service ecosystem.

CEO statement

We already see the potential of this strategy with our LeasePlan Energy joint venture, which has allowed us to enter the energy market in the Netherlands through a pioneering sustainable smart charging solution.

Nowhere is our digital approach more important than in our Car-as-a-Service business. We believe digitisation will enable us to achieve additional accelerated growth, and unlock large, profitable opportunities in all of our market segments. For example, within the International/Corporate segment, a key focus will be on capturing exponential growth in delivery vehicle fleets, as well as developing strategic fleet partnerships with some of the world's largest corporations. Our digital platforms will provide customers with maximum control and significant efficiency benefits. Our digital strategy will also be fundamental to growing our SME and Private businesses, where penetration rates are still low. Here we will use a direct digital sales and service approach via online platforms, as well as strategic partnerships with OEMs, financial institutions, mobility providers and dealer networks. In the spirit of the times, flexibility will be an increasingly key part of our offer towards these segments – for example, via our FlexiPlan and NoStressPlan products – further stimulating adoption of Car-as-a-Service among these underserved target groups.

CarNext.com – our disruptive platform for high-quality used cars – is itself a significant proofpoint of our digital approach. With CarNext.com, we have built a fully online marketplace that enables both B2C and B2B customers to buy or subscribe to a wide range of high-quality used cars both from LeasePlan's European Car-as-a-Service fleet and trusted third-party suppliers. In doing so, we have disintermediated the traditional used car market dynamics and are providing our customers with competitively-priced, high-quality cars in an industry characterised by mistrust and a lack of transparency. Customers increasingly see the benefit of this approach: despite the pandemic, CarNext.com performed well with online sales more than doubling and revenues up over 15%, with strong demand for our new range of contactless e-commerce services, including virtual car appointments and 'click & collect', as well as our expanding range of ancillary services. While B2C retail sales were lower due to Covid-related store closures, we saw a recovery in used-car pricing across all markets, with pricing at or above pre-Covid levels. Going forward, we will continue to invest in CarNext.com's digital platform, expand its ancillary services offer and grow its network of trusted third-party suppliers.

We're very proud of what we have achieved with CarNext.com to date, and are excited about the potential of the business as the move to online only accelerates. To this end, I am also pleased by the progress made this year in setting-up CarNext.com as a stand-alone business unit within the LeasePlan group, further enabling CarNext.com's management team to execute its accelerated growth strategy.

Finally, 2020 was the year that underscored the importance of tackling global challenges – whether it is Covid-19 or the climate emergency – head on. LeasePlan is playing a leading role here as we continue to electrify our fleet, supporting the implementation of the Paris Agreement and the UN Sustainable Development Goals. We have set ourselves the ambitious goal of achieving net zero tailpipe emissions from our funded fleet by 2030 and our progress towards this goal is something every LeasePlanner can take great pride in. 2020 was the greenest year in the history of LeasePlan, with new orders for EVs and plug-in hybrids doubling to 16.5% of all our new orders as of Q4 2020. Going forward, we will continue to advocate for accelerated growth in public charging infrastructure and long-term incentives for green driving, including at COP26 in November 2021, and play our part in ensuring EVs become the common-sense choice for all drivers in the 'new normal'.

Reflecting on 2020 as a whole, LeasePlan finished one of the most difficult years in recent memory in line with the plans we set out at the beginning of the crisis, while continuing to innovate in the most unprecedented circumstances. Looking ahead, we are not only confident in our ability to withstand any further market disruptions due to the fundamental resilience of our business, but also excited about the future as we transform to a digital business model and capture the many growth opportunities we see ahead.

We saw the best of LeasePlan in 2020 and I am very proud to be part of such a strong, resilient and innovative company. I am also deeply thankful for the continued support of our customers, employees and investors – all of whom are key partners in our journey to deliver *What's next* in our industry.

Sincerely,

Tex Gunning.

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

CASE STUDY

Fighting the pandemic

SPOTLIGHT ON LEASEPLAN'S WORK IN THE PHARMA INDUSTRY

The Pharmaceutical and Health Technology industry represents an increasingly large part of LeasePlan's global portfolio. Berno Kleinherenbrink, LeasePlan's Chief Commercial Officer, explains how we're growing our customer base in the industry – and how we are supporting our Pharma clients in the fight against Covid-19.

What are Pharma clients looking for in a Car-as-a-Service provider?

LeasePlan has a diverse and growing portfolio of Pharma and Health Technology clients and, for many of our customers, we offer both employee benefit cars and business-critical fleets for doctors and health technology professionals.

Given that many of our clients are literally engaged in matters of life and death, getting the basics right is vital and a key focus is always on keeping drivers mobile and making sure they have the right car or van at the right time. Some of our clients have been our customers for 20 years or more – and that's a testament to our culture of service and getting things done!

As many of our Pharma customers are active across the world, our international coverage is also often a decisive factor: the majority of businesses we work with are looking to consolidate to a limited number of strategic suppliers who take care of everything for them when it comes to their fleet. As a subject matter expert in this field, we're in a strong position to benefit from this trend.

How does LeasePlan's sustainability strategy fit in?

Our commitment to sustainability is a big part of our attractiveness to Pharma clients: many of these companies make medications for respiratory diseases and are committed to tackling poor air quality – which makes our acceleration into zero-emission mobility increasingly important. In fact, all of our pharma clients have now made pledges to move to a zero emission fleet at some point over the coming years, making our expertise in EV fleet transition central to helping them to deliver on this important goal.

Of course, we can't speak of Pharma in 2020 without mentioning their critical role in fighting the Covid-19 crisis. I find it extremely inspiring that we have the opportunity to work so closely with many of the key players in the industry and play our part in keeping these people on the road.

"Getting the basics right is vital, and a key focus is always on keeping drivers mobile and making sure they have the right car or van at the right time."

Berno Kleinherenbrink
Chief Commercial Officer

Business

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Business

LeasePlan's mission is to provide *What's next* in sustainable mobility, thereby creating value for its key stakeholders.

We are a leader in two large and growing markets: Car-as-a-Service for new cars, through our core LeasePlan business; and the high-quality used car market, through our CarNext.com business. LeasePlan also has an online retail bank, LeasePlan Bank, which operates in the Netherlands and Germany, which is an important source of funding for our business.

To capitalise on our leadership positions, we have developed a strategic plan for our business which focuses on three key areas: 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 *What's next* strategy, which is based on five strategic pillars. Read more about our **Strategy** on *page 44*.

People

At LeasePlan we believe 'you cannot grow a business, you can only grow people who can grow a business' and that 'none of us is as strong as all of us'. Our People Strategy therefore focuses on strengthening the care of our people and creating a deeply connected community of leaders. Read more about our **People strategy** on *page 65*.

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 business activities and 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 7*.

Business

Car-as-a-Service

Our resilient and cash-generative Car-as-a-Service business provides subscription-based mobility solutions with integrated services

In our core Car-as-a-Service business, we create value by turning vehicles into a service for customers who want the benefit of cars or Light Commercial Vehicles (LCVs) without the hassle of owning them. Based on fleet size, we are the global market leader and largest player in the growing Car-as-a-Service market. We manage a total of approximately 1.9 million vehicles, of which we own around 1.3 million, across more than 30 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, private individuals and mobility providers a complete end-to-end service for typical contract durations of three to four years. Ownership of the vehicle, which is made possible through our diversified funding programme, is inherent to our business model as it allows us to capture the associated full value chain of services along the lifecycle of the subscription.

Within our Car-as-a-Service offering, specific services include vehicle procurement; vehicle financing; repairs, maintenance & tyre management (RMT); damage handling and insurance services; fleet management and consulting services; and fuel, accident and rental management services. We offer our services through an integrated operating model that helps us leverage our scale and implement proven best practices across countries. This generates multiple, contractually recurring revenue streams that support the overall resilience of our business.

After purchasing, funding and managing vehicles for our customers, our Car-as-a-Service business maximises the value of vehicles coming off contract by selling them or, increasingly, re-leasing them through our used car platform, CarNext.com. This means our Car-as-a-Service fleet turns over relatively quickly and, in principle, contains only the latest and cleanest vehicle models.

Purchasing services	Financing services	Fleet management services	Maintenance management services (RMT)	Insurance and damage handling services	Fuel, accident and rental management services	High-quality used cars through CarNext.com
Vehicle purchasing	Financing solutions with or without services attached	Best-in-class fleet management software, 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 claim handling services	Fuel management, roadside assistance, replacement of vehicle, access to large network of third-party providers	CarNext.com is a pan-European digital platform for high-quality used cars.

In the long term, our aim is to fully digitise our business model, delivering digital services at digital cost levels, enabling us to capture the accelerated growth opportunities we see ahead of us. This is the core aim of our *What's next* strategy, which will lead to the digitisation of all core processes, products and services across LeasePlan. To read more about our *What's next* strategy please refer to 'Strategy' on *page 44*.

CASE STUDY

Online shopping boom increases demand for delivery vans

LCVS BECOME PART AND PARCEL OF THE 'NEW NORMAL'

Amid global lockdowns, the growing popularity of online shopping has led to increasing demand for LeasePlan's Light Commercial Vehicle (LCV) proposition, which looks set to see continued growth in the 'new normal'. Mark Lovett, Head of Commercial Vehicles, explains how LeasePlan is making the most of the opportunity.

Why was 2020 an important year for LCVs?

"Because of the pandemic, consumers are increasingly shopping online instead of going into stores," says Mark. "Online shopping has been growing for years but now it's really having its moment – and that in turn is driving increasing demand for LCVs."

LeasePlan was well prepared for this growth, already having made the strategic decision to treat the LCV market as an important priority. "23% of LeasePlan's fleet is LCV, and we understand that it is inherently different to the traditional passenger-oriented lease car market. For example, with LCVs, custom configuration and compliance with local legislation are key for our customers."

Mark stresses businesses are not just demanding more LCVs, but also greener LCVs: "Sustainability is a growing concern for fleet operators. This crisis has made people more aware than ever that the environment we live in is very fragile. In that sense, the new generation of electric LCVs (eLCVs) are a great way to meet this growing demand, without sacrificing air quality in our towns and cities."

What's next?

Mark is confident that the LCV market will continue to grow in the years ahead, and it will only become more sustainable. "The charging infrastructure is increasingly there, the vehicles are coming, and the costs are getting more competitive. And even when we get past the virus, we expect demand to increase due to the structural shift to online. We've organised ourselves well for this. LCVs – just as much as passenger cars – are in our culture."

WATCH OUR VIDEO ON LCV FLEET MANAGEMENT HERE

"Online shopping has been growing for years but now it's really having its moment – and that in turn is driving increased demand for LCVs."

Mark Lovett

Head of Commercial Vehicles

Business > Car-as-a-Service

Competitive advantages

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

i. Global scale and local leadership

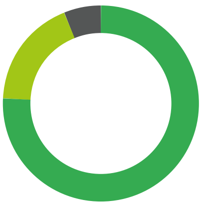
With approximately 1.9 million vehicles in our serviced fleet across more than 30 countries, we believe we are a global market leader and among the top three companies in 22 of the 24 European markets in which we operate[15]. Our scale and broad geographic presence enable us to service smaller, regional clients, while also offering a global, coordinated and harmonised product across multiple regions to international customers.

ii. Diversified customer base

Our diversified customer base comprises Corporates with a fleet of more than 25 vehicles (73% of funded fleet); SMEs with a fleet of 25 or fewer vehicles (20% of funded fleet); and Private individuals (7% of funded fleet). Our customer base is also diversified across industries and countries with no industry representing more than 21%. Our customers are high quality (i.e. have low default rates), and by year-end 2020, 59 of our top 100 Corporate customers were rated investment grade by Standard & Poor's.

Customer base by segment

Total funded book value



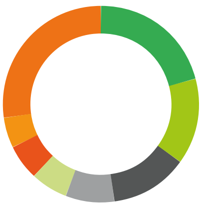
73% Corporates

20% SMEs

7% Private individuals

Corporate customers by industry

Total funded book value



21% Services

14% Consumer durables

13% Capital goods

8% Construction & infrastructure

6% Chemicals

6% Technology

5% Transport & logistics

27% Other

15. *As of 31 December 2020, by fleet size*

Corporates

The majority of our fleet is with international and domestic corporations leasing more than 25 vehicles. These customers are mostly large and complex organisations with extensive fleet management needs. Key trends in this segment include a growing interest in zero emission mobility, light commercial vehicle fleets for e-commerce deliveries and driver safety improvements.

WATCH OUR VIDEO ON LCV FLEET MANAGEMENT HERE

SMEs

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. To reach these customers, we have both direct sales (through digital platforms or our dedicated sales force) and indirect sales through dealers, banks, brokers and affiliates. These partners either generate referrals to LeasePlan or 'white label' our products and services. The SME segment is growing fast and penetration rates are still low.

WATCH OUR VIDEO ON SME LEASING HERE

Private individuals

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 countries such as France, Italy, the Netherlands, Spain and the UK, representing a significant growth opportunity for LeasePlan.

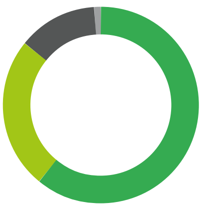
WATCH OUR VIDEO ON PRIVATE LEASING HERE

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

We manage mainly passenger vehicles (76%[16]) and light commercial vehicles (23%[17]). Our fleet is well diversified in terms of types of vehicle, countries of registration, brands and models, with no country representing more than 13% of our total funded fleet[18]. The geographic diversity of our fleets allows us to focus our investments and limit exposure to region-specific risks. It also enables us to benefit from cross-border arbitrage opportunities on the sale of used vehicles.

Breakdown of fleet by engine type

(as of 31 Dec 2020) Total funded book value



61% Diesel

25% Petrol

13% EV

1% Other

16. *Of funded book value as of 31 December 2020*
17. *Of funded book value as of 31 December 2020*
18. *Total funded fleet book value as of 31 December 2020*

Electric vehicles

WATCH OUR VIDEO ON EV ADOPTION HERE

LeasePlan aims to take an industry leadership role in the transition from internal combustion engines to electric and other alternative powertrains. We have set ourselves the goal of achieving net zero tailpipe emissions from our funded fleet by 2030 in support of the Paris Agreement and the UN Sustainable Development Goals. To this end, we are offering low-emission value propositions based on high-quality services and 'full package solutions', including charging infrastructure at home and at work. As a result of our industry leading sustainability offering, our fleet is rapidly transitioning to low-emission vehicles. New orders of EVs[19] accounted for 14.9% of all new vehicle orders placed in 2020, compared to 7.4% in 2019. Our transition to EVs is also directly supported by our diversified funding strategy, specifically the launch of our highly successful Green Bond and Green Finance Frameworks, through which EUR 1 billion in five-year fixed rate notes was raised in 2019-2020. To read more about our transition to low and zero emission mobility, please refer to 'Shaping the future of low-emission mobility' on *page 60* and to our Task Force on Climate-related Financial Disclosures (TCFD) statement on *page 87.*

Diesel

Diesel orders have continued to decline, reflecting a noticeable shift in customer preferences, as orders for electric vehicles (EVs) rise across markets, especially in Europe. The total share of all types of diesels in our funded fleet fell from 67% in 2019 to 61% in 2020[20]. Due to the relatively fast turnover of our fleet, 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. Euro VI diesels are not currently subject to any legislative restrictions and offer customers cost of ownership benefits relative to other powertrains. By year end 2020, the book value of Euro V diesels in our total funded fleet had declined to less than 1%[21] of the total. For more information also refer to *page 77* of the Risk management chapter.

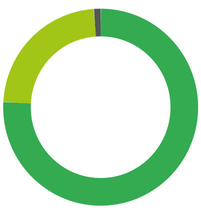
Funded fleet spread across geographies

Total funded book value

13% Netherlands	13% United Kingdom	9% Italy	8% Germany
8% France	7% United States	6% Spain	36% Other

Fleet by split

Total funded book value



76% Passenger vehicles	23% Light commercial vehicles	1% Others

19. New orders of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles (Private Vehicles and Light Commercial Vehicles), excluding USA
20. Funded book value as of 31 December 2020
21. Funded book value as of 31 December 2020

iv. Independence

LeasePlan is entirely independent from any automotive or financial institution and is therefore able to offer a wide variety of makes and models to its customers at attractive price points. In addition, this approach limits our exposure to OEM-specific risks that may occur. As of year-end 2020, no single vehicle brand accounted for more than 11% of our total funded fleet book value.

Fleet diversified across a variety of brands

Total funded book value

11% Volkswagen	11% Ford	9% Mercedes	7% BMW	7% Peugeot
6% Audi	6% Renault	5% Volvo	5% Skoda	33% Other

v. Unique funding structure

LeasePlan has established 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 bank licence and in 2020, we adhered to the capital requirements set by the Dutch Central Bank. As of 1 January 2021, LeasePlan supervision was transferred from the DNB to the European Central Bank (ECB) following its qualification as a significant institution under the relevant European banking regulations. Being a supervised entity further supports our credit rating.

CASE STUDY

Next generation fleet management

EMPOWERING FLEET CUSTOMERS THROUGH DIGITAL INNOVATION

The latest upgrade to My Fleet International gives LeasePlan customers 24/7 access to fleet insights and an automated self-service platform.

First launched in 2020, LeasePlan's upgraded My Fleet International digital platform offers a range of new features and unprecedented levels of functionality to fleet managers. The upgrade, which is already available to all national clients representing over 500,000 vehicles on the road, focuses on two innovative modules delivered through an integrated and easy-to-use interface.

The insurance reporting module gives fleet managers a comprehensive overview of their insurance data from both LeasePlan and third party insurers, including programme performance information and claims analyses. The second module, a service measurement dashboard, provides full visibility of a fleet's on-the-road service performance. It can measure and monitor drivers' experiences and evaluate key trends across multiple countries, entities and service categories.

"This is about helping our global clients make more informed, real-time fleet decisions based on verifiable data and insights – all from the comfort of their laptop and smartphones," explains Gavin Eagle, Managing Director of LeasePlan International. "Ultimately, it's all about giving our clients the means to meet their strategic objectives, particularly for the important areas of insurance and service reporting."

The upgrade is part of the continuous evolution of the My Fleet International tool led by LeasePlan Digital, and its team of dedicated user researchers who proactively involve customers in innovation processes and in testing final products.

"It starts with speaking to customers and finding out where they're getting stuck, and how we can best help solve problems through self-service," says Niall McLoughlin, Director Digital Product & Demand at LeasePlan Digital. "Our focus is on creating frictionless digital solutions and an excellent customer experience, as we move globally towards a fully digital business model via our Next Generation Digital Architecture."

WATCH OUR VIDEO ON MY FLEET HERE

"This is about helping our global clients set up and steer their key fleet decisions and service levels, all from the comfort of their laptop and smartphones."

Gavin Eagle,
Managing Director of LeasePlan International

Business > Car-as-a-Service

Industry outlook

As a result of the megatrend from vehicle ownership to hassle-free subscription models – or Car-as-a-Service – over the next ten years we will see accelerated growth in all market segments, including International, Domestic corporate, SME and Private. Growth is also being fuelled by the:

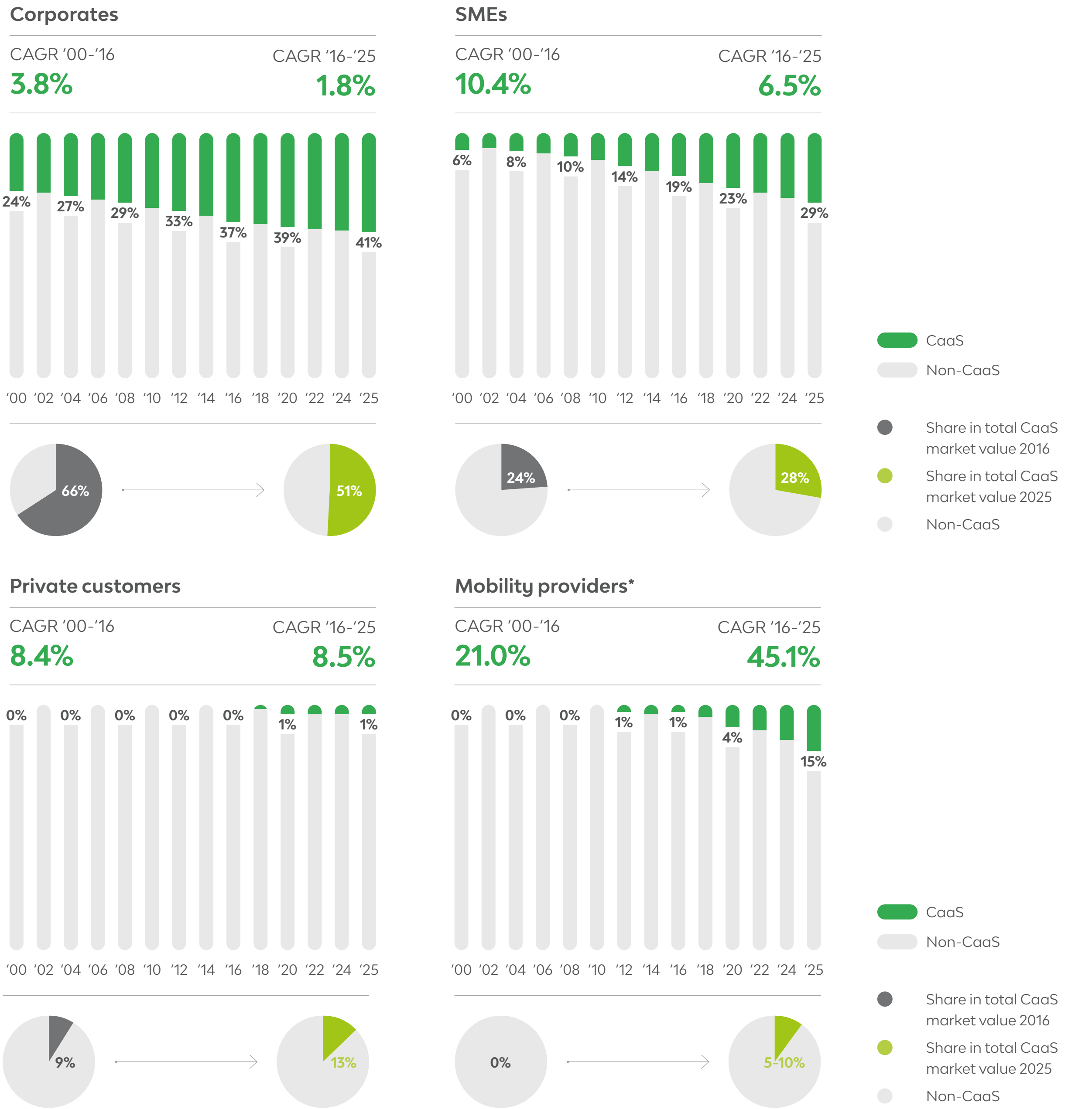
- Continued conversion of financial lease markets to operational leasing across all segments in line with the full-service subscription megatrend
- Increasing desire for Car-as-a-Service among SME & Private customers, who value the safety, certainty and financial predictability offered by Car-as-a-Service subscriptions
- Increased demand for e-commerce related delivery vehicles (LCVs-as-a-Service) in the Corporate and SME segments, accelerated by Covid-19
- Continued growth in full fleet outsourcing for large corporates with an international presence, as well as attractive growth opportunities with smaller/domestic corporates and the public sector
- Opportunities in 'direct-to-employee' Car-as-a-Service solutions, an attractive new segment built for players with a strong corporate segment presence
- Developing opportunities in the mobility provider segment (e.g. ride hailing, car sharing), with almost all players in the sector requiring fleet management capabilities to achieve scale

Simply put, the Car-as-a-Service industry offers investors exposure to many of the defining trends of the 'new normal' – subscription-based mobility solutions; e-commerce; and the attractive economics and network effects of companies with a fully digital operating model.

Business > Car-as-a-Service

LeasePlan is competing for growth in the Car-as-a-Service industry, where – as a result of the megatrend from vehicle ownership to hassle-free subscription models – we expect accelerated growth in all market segments, including International, Domestic corporate, SME and Private.

Car-as-a-Service penetration in overall car parc (EU-18), by customer segment, 2000-25



**Depending on extent of growth of new mobility concepts*
Source: Roland Berger 2020

10 key trends transforming Car-as-a-Service

Our industry, however, is not just growing; it is also transforming. The Car-as-a-Service industry is at the forefront of the digital revolution, impacted by ten key trends, with the changing role of data at the heart of them all.

A. Expectations, economics and competition

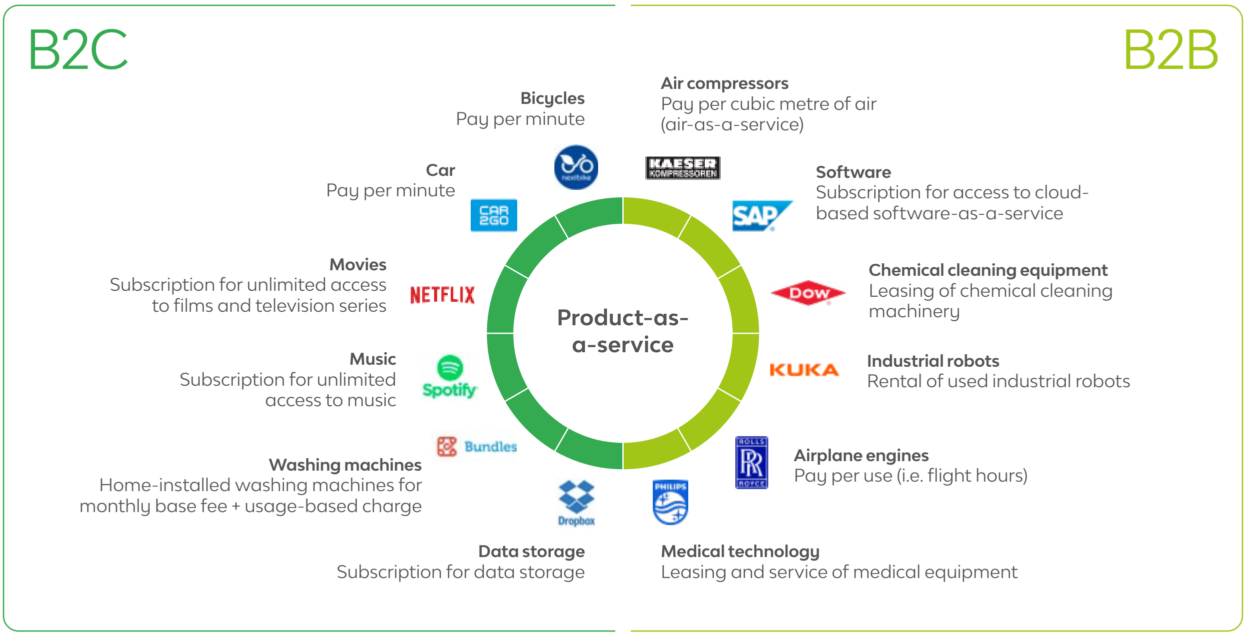
New customer expectations: Consumers and business customers expect nothing less than all services to be delivered seamlessly and instantly, with personalised choice and transparency, available on the device of their choice, and with rapid access to their data and analytics. Analogue service approaches via e-mail or multiple telephone calls are viewed by customers as burdensome and inefficient.

New digital economics: Digital technology not only allows for better service levels, but also dramatically lower costs. This is because digital solutions are much more scalable and automated than analogue solutions, can systematise and manage complexity efficiently, and are more open to continuous improvement. In addition, digital technology has resulted in a new economic paradigm based on high fixed cost, low marginal cost and network effects. This often leads to a 'winner takes all' outcome for the first company within an industry to successfully digitise their business model.

From traditional value chain to integrated network: Historically, businesses succeeded through vertical integration as this was the most effective way to coordinate services within the supply chain and capture profits. Digital changes this. Low coordination and third-party integration costs mean that companies can choose to pursue leadership in a particular part of the value chain. This unbundles the traditional value chain, creating new opportunities across an integrated network of partners.

Companies in various industries have already successfully transitioned from selling products to providing 'products-as-a-service'

Examples of service transformation



Source: Roland Berger

B. Ownership, usership and growth

Ownership to subscription megatrend: Until recently, most consumers opted for vehicle ownership, financed through cash or financial lease, with operational leasing mainly for business customers. In line with the subscription megatrend, full-service operational leasing is becoming increasingly popular among SME and Private customers, providing safety, simplicity and predictability.

Shared mobility: A variety of vehicle sharing concepts, both fleet-based and peer-to-peer, are being trialled in many markets. In addition, urban authorities are exploring new shared mobility solutions, such as ride-hailing, to complement public transportation and increase efficiency, reduce congestion and cut carbon emissions.

From financial to operational lease: While financial leasing is today much larger than operational leasing, the growth trend is clearly towards full-service operational leasing – a development being fuelled by the ongoing shift to all-inclusive subscription models, as well as regulatory action regarding loan-sale agreements. The shift from financial to operating leasing is leading to explosive growth in operational leasing.

C. Vehicles, mobility and intelligence

The transition to zero-emission mobility: Driven by regulatory action and consumer concern over the climate emergency, sustainable powertrains will eventually become the 'new normal', with an initial move from ICE to hybrid, followed by full EV, as battery costs fall and ranges increase. LeasePlan has already achieved a leadership position in electric vehicle leasing, targeting net zero emissions from its funded fleet by 2030.

New mobility options (e.g. eBikes and micro scooters): There are numerous exciting innovations in the mobility space, especially in urban settings, including eBikes and scooters. We expect the pace of innovation to continue over the coming five to ten years, with some Car-as-a-Service companies opting to complement their core offer with a range of new solutions.

Connected vehicles: Vehicles are more connected than ever, with telematics becoming increasingly common, especially in EVs. Vehicle data can be used to enrich the driver experience and optimise fleet management. Networked vehicles will also improve road safety and congestion management, and are a stepping-stone to fully autonomous vehicles, many of which will be operated as part of large fleets.

D. Data and AI at the heart of the industry

Data: Central to all of the above trends is data. Our core value-creating assets, namely our vehicles, customers and drivers, will be at the centre of a data-rich, connected ecosystem. This will enable and enhance every interaction and process, including in areas such as predictive maintenance, residual value modelling and even the transition to EVs.

Covid-19 and the 'new normal'

As a result of the Covid-19 pandemic, we see an intensification of the trends identified above, namely; a shift to personal car subscriptions; growth in the fully-online used car market, which we have pioneered with CarNext.com; and growth in LCVs, which currently account for 23% of our fleet, due to the rapid increase in e-commerce. To read more about our Covid-19 response please refer to the 'Financial and business review' on *page 49* and 'Risk management' on *page 77*.

Focus on sustainability

Road transport in the European Union (EU) alone accounts for around 21% of all carbon emissions[22] and is responsible for high levels of pollution, principally nitrogen oxides and particulate matter, that impact public health in urban areas. Today, around six out of ten cars sold in Europe are company cars[23], and tend to drive on average 2.25 times further than private cars. This means businesses disproportionately contribute to road transport emissions, and must therefore be key actors in the transition to low or zero-emission mobility.

At the same time, policymakers are increasingly aware that many responsible corporates want to act decisively on climate change by switching to zero and low-emission vehicles, provided they are supported by clear public policies and incentives. In Europe, such measures are set to receive a major impetus as part of the new European Green Deal, which includes a Smart and Sustainable Mobility Strategy comprising a raft of initiatives that will be put to the EU Parliament for approval in 2021. New measures are likely to include revisions to the emission standards for cars and vans, energy taxation to reduce fossil fuel subsidies, incentives for renewable energy, new emissions trading for road transport, and initiatives to support Europe's recharging infrastructure. In the UK, now outside the EU, a comparable plan was announced by the government in late 2020, which includes a ban on all petrol and diesel cars and LCVs from 2030.

Green fleets: EU call to action

LeasePlan supports[24] changes to the EU's Clean Vehicles Directive, which would require large corporates (+25 vehicles) to transition to zero emissions by 2030. LeasePlan is also advocating legislative changes to accelerate the rollout of public and private charging infrastructure, supporting the transition to a more sustainable European car parc.

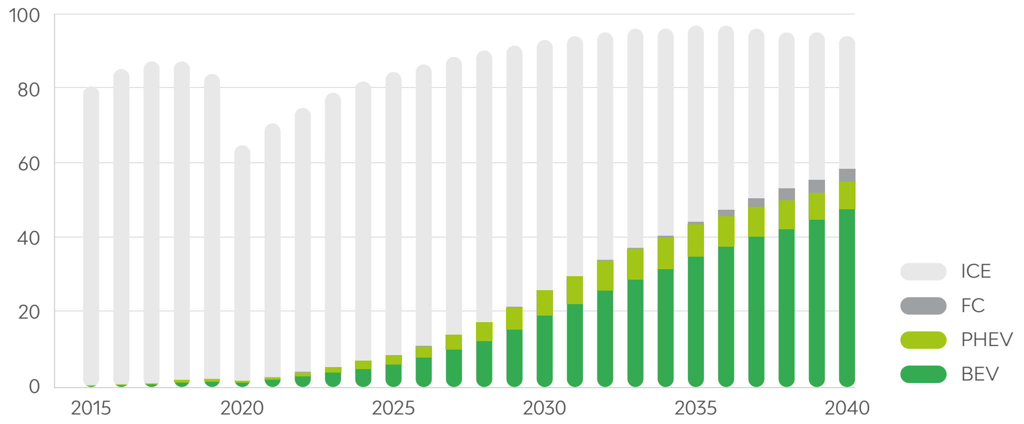
While still a comparatively small part of the market, EV adoption is rising rapidly, and in the case of Europe, the market is believed to be reaching a tipping point. The fastest growth is taking place in the European markets in which LeasePlan is active, and where we expect to move ahead of the overall market trend to meet our 2030 ambitions. In 2020, 14.9% of new vehicle orders for LeasePlan's funded fleet were EVs (7.4% in 2019).

22. European Commission 2016
23. Dataforce Study on Company Cars 2020
24. Joint letter – call for an EU-wide requirement to electrify fleets (https://www.transportenvironment.org/publications/set-targets-electrify-company-car-fleets-eu-told)

Business > Car-as-a-Service

Global EV sales are expected to significantly increase

Million vehicles



Note: Electric share of annual sales includes battery electric and plug-in hybrid
Source: BloombergNEF. Data current as of May 2020

LeasePlan views the shift to zero emission mobility as a significant opportunity as customers increasingly look to a specialist service provider to access these new technologies and manage their residual values. As part of its commitment to achieve net zero emissions from its funded fleet by 2030, LeasePlan is dedicated to meeting this demand and promoting the uptake of EVs in EV-ready markets.

LeasePlan Mobility Insights Report 2020

In November 2020, a survey of 5,000 drivers across 22 countries[25] found that drivers have become much less likely to use public transportation, and much more likely to use their own private car. The survey also found a surge in positive attitudes towards electric driving, with a record 65% of respondents indicating that they view zero-emission electric driving favourably. Nearly half (44%) of all surveyed said that their opinion towards electric driving has favourably improved over the past three years.

The main trends driving EV adoption among customers are as follows:

i. Costs are falling relative to ICEs

Until now, EV sales growth reported by automakers has been largely concentrated in European countries with higher GDP per capita[26]. However, a LeasePlan survey of 20 European countries in September 2020 found that EVs are now at total cost of ownership (TCO) parity with ICEs in 14 of them[27], representing a major shift in affordability. This shift is being driven by the incentives that are available to EV buyers in 22 EU countries today[28], as well as falling costs of lithium-ion battery pack prices due to the expansion of global battery manufacturing capacity. The ongoing fall in TCO will encourage more corporates to begin transitioning their fleets, especially those that have already voluntarily committed to electrifying their fleets by 2030 as part of their broader sustainability strategies.

25. *LeasePlan Mobility Insights Report 2020 surveyed drivers in Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States*
26. *European Automobile Manufacturers Association, 2020 Progress Report*
27. *LeasePlan 2020 Car Cost Index. To view the report please visit www.leaseplan.com/corporate/news-and-media/newsroom*
28. *European Automobile Manufacturers Association, 2020 Progress Report*

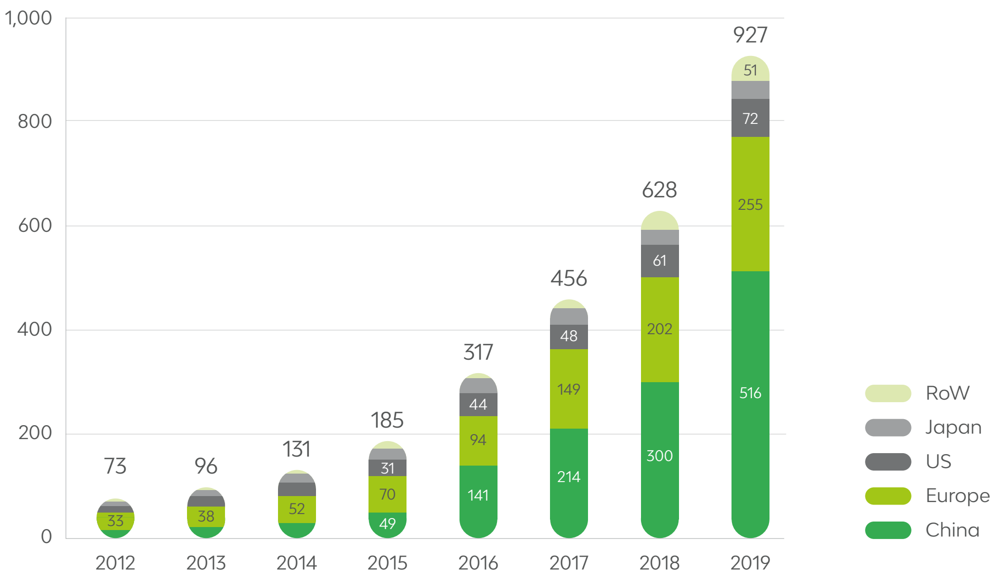
ii. Charging infrastructure is increasing

Public charging infrastructure is expanding rapidly, although its availability continues to fall significantly short of what is required to meet climate objectives. In the EU, there were approximately 199,825 charging points in 2019, but according to conservative estimates by the European Commission, at least 2.8 million will be needed to meet its 2030 goals – a 14-fold increase[29]. Furthermore, only 1 in 7 charging points in the EU in 2019 are currently classified as 'fast chargers'. Until this shortfall is comprehensively addressed across the EU, infrastructure will remain an important barrier to widespread adoption, particularly among drivers without access to home or workplace charging.

LeasePlan supports revisions to the European charging infrastructure law (the Alternative Fuels Infrastructure Directive) to help ensure that interoperable charging coverage is provided throughout the EU. We also advocate a revision of the Energy Performance of Buildings Directive (APBD) so that sufficient workplace and home charging points are implemented in new buildings. Finally, we believe it will be crucial to increase renewable energy grid capacity if EVs are to deliver the fullest possible emissions reductions. This will require closer cooperation between municipalities, electricity producers, power grid operators, as well as EV drivers and owners.

Public charging infrastructure has grown significantly

Thousand units



Note: Includes Tesla destination and supercharger networks even though this is semi-private
Source: BloombergNEF, May, 2020

29. *European Automobile Manufacturers Association, 2020 Progress Report*

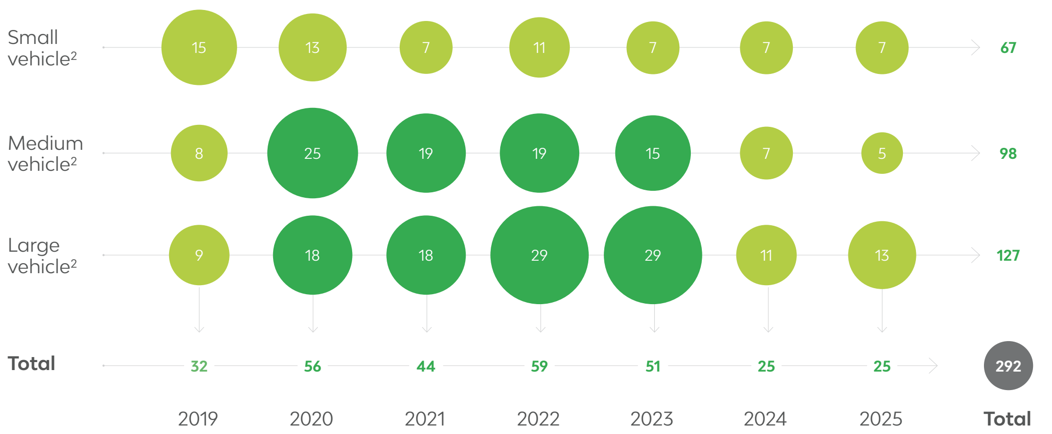
Business > Car-as-a-Service

iii. New models are increasingly available

Automakers are facing ever stricter emissions reductions targets. From 2021, the EU fleet-wide average emission target for new passenger vehicles will be 95g CO_2/km, while the average emission target for LCVs will be 147g CO_2/km. The EU Parliament and the Council have also agreed that, by 2030, emissions from new passenger vehicles will have to be 37.5% lower and emissions from new LCVs 31% lower. However, as part of the EU's Green Deal strategy, the European Commission is set to review this regulation again in 2021 (brought forward from 2023) and report back to the European Parliament and Council on whether these regulations are sufficient to reach the EU's overall carbon reduction targets. In order to meet their mandatory targets to reduce carbon emissions and pollutants, automakers have introduced a variety of new EV models, while also improving the fuel efficiency of their petrol and diesel powertrains. A further 300 new EV models are expected to be launched by automakers by 2025, with a strong focus on medium and large vehicles.

OEMs to launch 100s of new EV models in the coming years

BEV includes[1] by production start date, and vehicle size



1. *Includes US, European, Japanese and South Korean OEMs*
2. *Small = A/B segment, medium = C segment, large = D/E segment*

Source: IHS Automotive (July 2019)

CASE STUDY

LeasePlan's 2021 EV Readiness Index

EUROPE IS MORE READY THAN EVER FOR THE EV REVOLUTION

The latest findings from LeasePlan's 2021 EV Readiness Index point to a rapid increase in EV preparedness across Europe, although charging infrastructure is still falling short.

The Netherlands, Norway and the United Kingdom continue to be the best prepared countries in Europe for the electric vehicle revolution, and overall Europe is more ready than ever for the EV revolution. Charging infrastructure, however, continues to be a major roadblock, with the rate of charging pole installation actually falling in 2020.

These are the conclusions of LeasePlan's 2021 EV Readiness Index – a comprehensive analysis of the preparedness of 22 European countries for the electric vehicle revolution. The Index is based on three factors: EV registrations, the maturity of EV infrastructure, and government incentives in each country.

According to the study, almost all countries show an improved score compared to last year, signalling increased EV readiness across the continent, although improvements vary greatly between Western and Eastern Europe. It is also clear that EVs have never been more affordable. In 11 countries, EVs are already cheaper than their ICE counterparts on a total cost of ownership (TCO) basis. In addition, EV drivers pay on average only 63% of the tax that ICE drivers pay. Austria, Greece, Hungary, Ireland, Poland and the UK are leading the charge: in these countries, EV drivers pay no driver tax at all.

Despite these advances, charging infrastructure is still lagging and will be key to improving EV readiness going forward. Although some progress was made in 2020 on charging infrastructure, the rate of improvement actually dropped compared to last year (43% increase in 2020 compared to 73% increase in 2019). Even in top-ranked countries, charging infrastructure remains far from adequate.

To read the full 2021 EV Readiness Index, visit www.leaseplan.com/corporate

WATCH OUR VIDEO ON EV ADOPTION HERE

"Leaders and policymakers in every single one of the 22 countries in this Index need to step up and invest in a universal, affordable and sustainable charging infrastructure before it's too late – the climate emergency can't wait."

Tex Gunning

CEO, LeasePlan Corporation


CarNext
.com

Business

CarNext.com

CarNext.com's mission is to change the way customers buy a high-quality used car, offering a seamless and fully online experience.

CarNext.com is our pan-European digital platform for high-quality used cars. Through CarNext.com, customers can buy a wide range of used cars younger than five years. It also operates a B2B channel, consisting of an online auction platform and app for professional buyers. In addition, CarNext.com offers a range of services for its network of trusted third parties.

Business model

CarNext.com generates revenues through commissions on cars sold, ancillary services and de-fleeting fees. The high-quality vehicles on the CarNext.com platform are sourced either from LeasePlan Car-as-a-Service fleet or from its growing network of trusted third-party suppliers.

B2C commissions are dependent upon the additional value realised versus the B2B trader price. Commissions on vehicles sourced from LeasePlan's Car-as-a-Service business are set at market rates on an arms-length basis. CarNext.com also generates revenues through its expanding offering of ancillary services, such as financing and extended warranties.

B2B sales are realised through CarNext.com's dedicated auction platform and trader app. CarNext.com charge a standard Trader fee for each unit sold and offers additional ancillary services such as transportation to its network of professional buyers.

CarNext.com is in the process of becoming a dedicated business unit structure, with its own dedicated management team, that reports its financial results separately within LeasePlan. We continue to review various strategic alternatives for CarNext.com, including a potential full or partial separation of CarNext.com from the Group whereby LeasePlan would continue to sell its used cars through the CarNext.com B2B and B2C platforms.

Customers

CarNext.com provides services for three key customer groups: B2C customers, B2B traders and Partner services.

B2C customers

Retail customers can buy a wide range of high-quality used cars through the CarNext.com platform or through our network of 45 Delivery Stores and pick-up points across 22 countries. We provide a trusted experience that features fixed all-in pricing, detailed specifications, 360-degree photography, home delivery and a 14-day no-questions-asked return guarantee. This fully online buying proposition is seamless, and is a first-of-its-kind innovation in the used car market. In 2020, we enhanced our online experience with fully online payment solutions, as well as a range of new ancillary services such as online financing, warranties and trade-in solutions.

Three easy steps

Find your perfect car
Browse our digital marketplace and enjoy stunning 360° HD photos and videos of hundreds of cars.

Choose your payment method
We aim to make the purchase process as smooth as possible, including by offering multiple payment methods.

Delivery at home or collection in store
How about letting us deliver your car to your home? Or do you prefer to pick it up from your local store? The choice is yours!

B2B traders

CarNext.com operates a B2B auction platform and trader app (available in 36 countries), offering over 125,000 traders access to daily auctions across Europe. Accessible online and through a mobile app, the auction platform enables traders to easily browse thousands of possible vehicles. Each car shown comes with a full vehicle assessment report and a comprehensive set of high-quality images, which can be downloaded and used for remarketing. In 2020, more than 6.6 million bids were made.

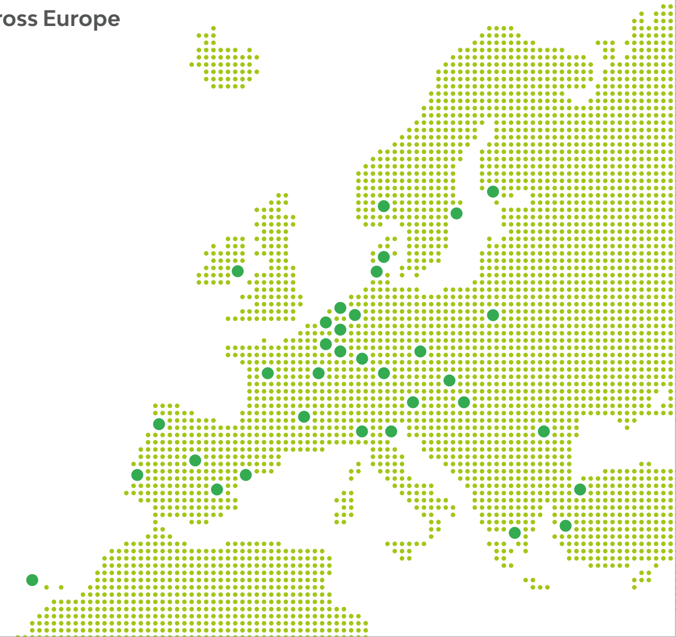
Trusted third parties

CarNext.com's business is becoming increasingly demand-driven, with the business actively sourcing vehicles based on data and customer insights. The active sourcing strategy aims to increase variety in stock mix in line with customer demand, generating an additional uplift from our retail business. In addition to active sourcing, CarNext.com offers remarketing activities for trusted third-party supplier-partners. Once a partner decides to sell a vehicle through the platform, CarNext.com does the rest – from picking up the vehicle, to channel selection (including cross-border sales), stock management and vehicle reconditioning, enabling partners to get the best price for their cars.

CarNext.com stores across Europe

22
countries

45
Delivery Stores
& pick-up points



Competitive advantages

Traditionally, the used car market has been fragmented, localised and inefficient. It consists mainly of intermediaries, traders and dealerships, and is characterised by high levels of inefficiency and low levels of transparency and customer trust. The CarNext.com proposition focuses on building trust through transparency, an online end-to-end service, and a wide availability of makes and models, enabling customers to find the right car for them. We apply expertise, data science capabilities and leverage our pan-European network to establish the best channel, geography and pricing for each vehicle. CarNext.com's competitive advantages include:

Guaranteed supply

CarNext.com has access to a guaranteed supply of approximately 250,000 high-quality used cars coming out of LeasePlan's Car-as-a-Service business each year, as well as vehicles from our growing network of trusted third-party suppliers.

Superior online service

CarNext.com offers a seamless online experience, with 360 degree photography and video of the vehicles on the platform. The entire buying experience, including financing and home delivery scheduling, can be completed online.

Flexible model

Customers can buy a high-quality used car, younger than five years, online through an interactive marketplace or at one of our Delivery Stores and pick-up points.

Data-driven asset steering

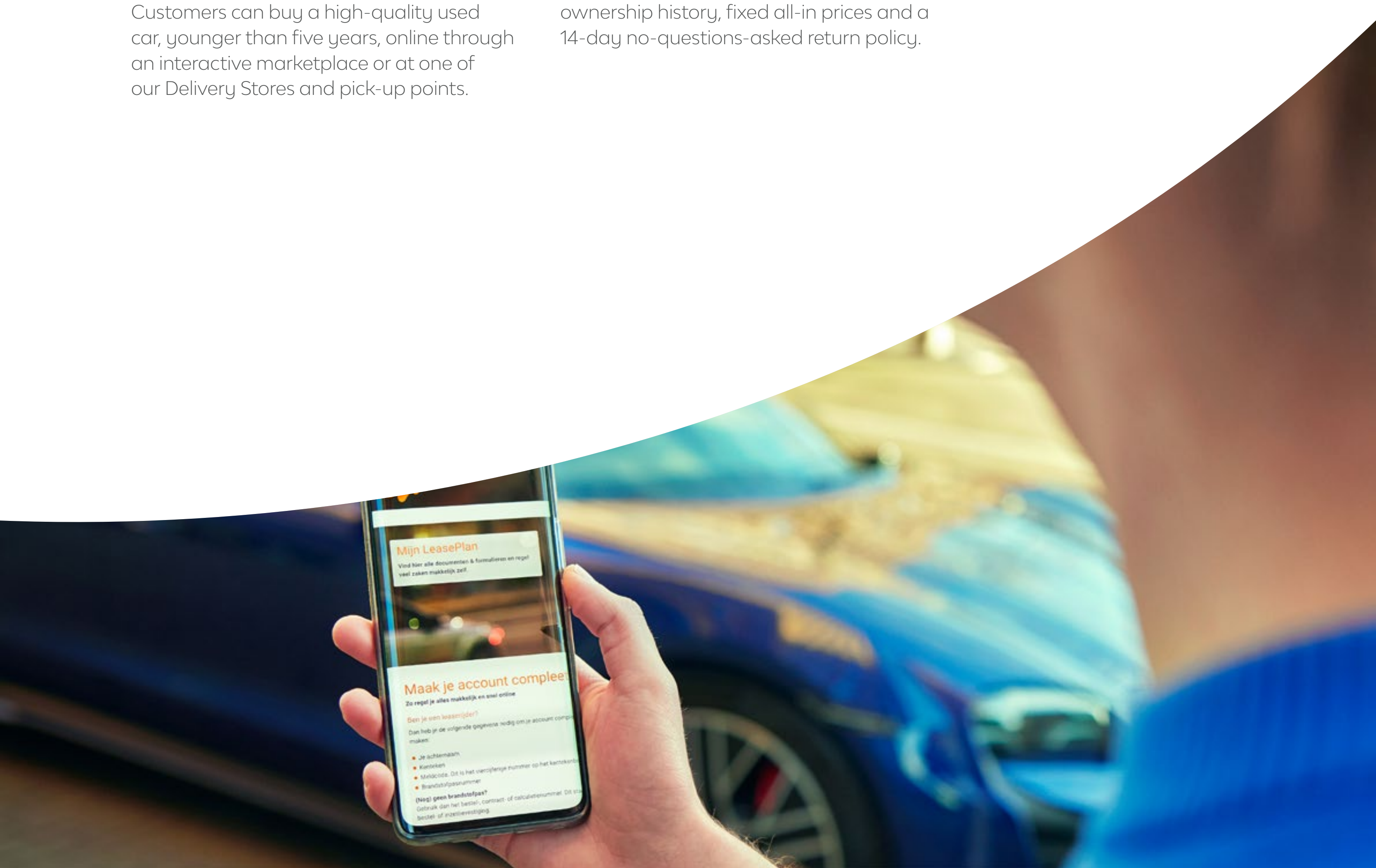
CarNext.com's unique 'Asset Control Tower' is used to analyse external and proprietary data in order to match demand sources with supply, facilitating the development of targeted strategic partnerships with third-party suppliers. This enables customers to rapidly access the model of their choice, further supporting CarNext.com's growth.

Pan-European network

CarNext.com is supported by a pan-European network of 45 Delivery Stores and pick-up points across 22 countries.

Trusted seller

Vehicles on CarNext.com come with a full ownership history, fixed all-in prices and a 14-day no-questions-asked return policy.



CASE STUDY

Ready for the revolution in online car buying

SPOTLIGHT ON CARNEXT.COM'S VIRTUAL ENVIRONMENT

With a third of drivers more likely to buy a car online as a result of Covid-19, CarNext.com is well positioned to make the most of the opportunities offered by the 'new normal'.

Buying a pair of shoes online is easy and instant, but the process of buying a car online is a little more complicated, explains Maarten van Neerven, CFO at CarNext.com. A much higher cost of investment means "…it takes more to convince the customer, and there are key elements to making it succeed."

Having the technical capabilities to deliver a frictionless service is the starting point. "High-quality imagery and easy access to each car's maintenance history really helps make our virtual experience feel as real as possible," says Maarten. "Customers are also offered financing options and other solutions that match or beat the kind of service they might expect at a traditional dealership."

During Covid-19 lockdowns, CarNext.com has seen strong online growth as customers turn to the internet for their purchases. "People have been avoiding going out more than ever, and we've had a rapid increase in online traffic," he explains.

"We also let our customers book video calls with our in-store specialists or take bespoke video tours of cars they're interested in to offer the best possible online experience."

But while customers are responding well to the online experience, they still need offline support too, says Maarten. "Customers want real-life confirmation when making such a big investment, so having a multi-channel approach is still key. We're constantly looking at feedback to make sure customer satisfaction levels are high and continually getting better."

With lockdowns on the horizon for the foreseeable future, CarNext.com will continue to focus on improving its online experience with new virtual touchpoints, while further expanding its vehicle offering through new partnerships. "The move towards online car buying isn't just a temporary trend but an essential part of the 'new normal' – and we're ready to stay ahead of the game," says Maarten.

"The move towards online car buying isn't just a temporary trend but an essential part of the 'new normal' – and we're ready to stay ahead of the game."

Maarten van Neerven
CFO at CarNext.com

Business

LeasePlan Bank

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

LeasePlan operates LeasePlan Bank as part of its unique independent funding platform. LeasePlan has a banking licence and in 2020 was regulated as a financial institution by the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). As of 1 January 2021, LeasePlan's supervision was transferred from the DNB to the European Central Bank (ECB) following LeasePlan's qualification as a significant institution under the relevant European banking regulations.

Business model and market

LeasePlan Bank is an online-only 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 branches, we keep our costs low so that we can offer our 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 pure 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.

In 2020, the Covid-19 pandemic led to increased uncertainty for households, which has boosted savings via household deposits. This resulted in an increase in total savings at LeasePlan Bank.

As of 31 December 2020, LeasePlan Bank had approximately 138,000 retail accounts in the Netherlands (2019: 133,000) and 64,000 in Germany (2019: 41,000), with total savings deposits of EUR 6.18 billion (2019: EUR 5.78 billion) and EUR 2.93 billion (2019: EUR 1.88 billion) respectively.

€23bn

Unique independent funding platform

Funding mix by December 2020

33% Unsecured DCM

40% Retail deposits

11% Secured funding

16% Bank lines / Other

Business

Organisation

LeasePlan is a multi-local business, operating across more than 30 countries.

LeasePlan is committed to achieving operational excellence through the implementation of an integrated pan-European operating model and by leveraging scale and best practices, which allow us to achieve optimal service delivery at the lowest possible cost. To this end, we are managed as a multi-local business with our country teams supported by a number of corporate functions.

Our country managing directors are supported by five regional cluster leads, who act as a first point of contact and provide advice and guidance on the implementation of our strategy and related initiatives.

The management teams at country level supervise all aspects of local operations and implement our strategy locally. This cluster structure does not alter our business segments. LeasePlan identifies Europe and Rest of the World as reportable segments. In addition, we report on Car-as-a-Service and CarNext.com.

Commerce

Commerce focuses on attracting new customers, retaining existing customers, optimising our range of services and increasing the number of products purchased. It is responsible for delivering customised fleet management advice on topics such as sustainable fleet management (CO_2 emissions reduction), enhancing driver safety and satisfaction, and reducing total cost of ownership.

Procurement

Procurement acquires and distributes products and services across LeasePlan's operating countries. This centralised approach delivers a competitive advantage through leveraged buying and preferential access to the latest vehicles and related goods and services. LeasePlan's Procurement activities are supported by policies and compliance controls that help us ensure sustainable value creation.

CarNext.com

CarNext.com is our pan-European digital platform for high-quality used cars. Through CarNext.com, customers can buy a wide range of used cars younger than five years. It also operates a B2B channel, consisting of an online auction platform and app for professional buyers. In addition, CarNext.com offers a range of services for its growing network of trusted third parties.

Insurance

Insurance offers insurance coverage and damage services to our customers in 30 countries. In most cases, insurance cover is an integral part of our fleet management proposition. Drivers are supported with 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. As of year-end 2020, LeasePlan insured approximately 890,000 vehicles (2019: 889,000) worldwide, which corresponded to a Serviced Fleet insurance penetration rate of 47.8% (2019: 47.5%).

Repairs, Maintenance & Tyres (RMT)

During the life cycle of the vehicle, RMT supports our customers with a full range of services, including repair and maintenance of the vehicle and the replacement of tyres. We offer 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.

Corporate functions

Asset Management

International Asset Management determines, monitors and steers the future value of our fleet. Its aim is to provide the most accurate residual value predictions based on data and state-of-the-art analytics. By establishing the real-time monitoring of the fleet's market value, LeasePlan can develop and apply effective strategies and interventions to steer fleet value and have a consistent baseline for finance, controlling and risk assessment purposes.

Audit (internal)

Audit provides audit assurance and consulting activity that aims to add value to our operations. It helps us accomplish our objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of our risk management, control and governance processes. Audit is recognised as the third line of defence in LeasePlan's risk management.

Business Excellence

Business Excellence supports central and local entities in optimising processes in order to improve service levels and achieve sustainable efficiencies that enable the company to scale the business effectively. It leads global projects to analyse and improve performance. It promotes relevant methodologies and tools, provides training, and strives towards the establishment of a continuous improvement culture across the company.

Corporate Affairs

Corporate Affairs aims to enhance LeasePlan's brand and reputation among all key stakeholder groups via a consistent company positioning. Corporate Affairs is also responsible for media relations, internal communications, social media and our international public affairs partnerships, including with the World Economic Forum (WEF), World Business Council for Sustainable Development and the United Nations.

Corporate Secretariat

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

Corporate Social Responsibility (CSR)

CSR coordinates the roll-out of LeasePlan's sustainability strategy and supports various business areas in defining action plans, monitoring progress and reporting on agreed KPIs. A CSR governance structure and dedicated work streams are in place to drive and manage our overall sustainability strategy.

Digital

LeasePlan is on a journey to become the world's first fully digital Car-as-a-Service company. LeasePlan Digital supports this objective by helping to transform our company into a NextGen digitally-enabled business, delivering innovative digital services through digital platforms and leveraging the latest digital intelligence technologies, including the development of our Next Generation Digital Architecture. Ensuring cyber security is also a key element of LeasePlan Digital's remit.

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. This function also includes tax management, financial reporting and financial shared services.

Legal

Legal provides in-house legal advice. It aims to avoid and mitigate legal risks by promoting compliance with applicable laws and regulations, and is in close contact with our country teams and corporate functions. LeasePlan's legal charter provides a clear allocation of roles and responsibilities and reporting lines by the local legal counsels to local management and the General Counsel.

Business > Organisation

Marketing

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

People & Performance

People & Performance supports the execution of our strategy by supporting the growth and development of our people, increasing digital competence across the organisation, and promoting diversity and inclusion. We believe an effective, diverse workforce contributes to well-balanced decision-making and the proper functioning of the organisation.

Privacy & Compliance

Privacy & Compliance safeguards LeasePlan's integrity and reputation and helps protect against financial loss and reputational damage. This is achieved by integrating privacy and compliance in daily business activities and strategic planning processes, as well as challenging and assisting the business and promoting awareness at all levels.

Regulatory Affairs

Regulatory Affairs overarches the various departments within LeasePlan with its main focus on banking supervision and related regulations, to ensure a strategic alignment with regard to regulatory topics. 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 our regulators. It is also responsible for horizon scanning, monitoring developments, trends and changes in the regulatory environment and translating those into strategic goals.

Risk

Risk is responsible for effective risk management, which is vital to our functioning as a business. Controlled and balanced risk taking, accommodated by a strong, independent risk organisation at corporate and country level, and risk governance, supported by clear direction from our senior management, are key elements in driving our strategy. LeasePlan's Risk Function also supports the creation of a culture in which every member of staff understands their individual responsibilities and takes accountability for their actions.

Service & Quality

Customer and driver satisfaction is central to our ongoing transformation to become a fully digital Car-as-a-Service company. Our Service & Quality teams in 32 counties provide ongoing support during the whole lifecycle, ensuring the needs of our customers and drivers are met, and that we continuously improve our service delivery.

Strategic Finance & Treasury

These 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 which 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 being met.

Strategy & Transformation

Strategy & Transformation is responsible for the establishment and continual development and renewal of LeasePlan's business strategy, and the successful execution of major, business-wide transformation programmes to realise the strategy in conjunction with other departments. The department also leads selected business development initiatives.

CASE STUDY

Introducing the NextGen LeasePlan Community

HOW TO KEEP 8,500 LEASEPLANNERS CONNECTED AND ENGAGED… FROM HOME

For many people, 2020 will have been one of the most challenging periods of their lives as they were separated – almost overnight – from friends, family and colleagues. Life for LeasePlanners was no easier, with all 8,500 employees making the switch to working from home in March 2020.

To support colleagues through what was for many an unsettling and disturbing period, in early April 2020, the company launched its NextGen LeasePlan Community platform, helping to engage, connect and inspire LeasePlanners throughout the crisis period.

NextGen LeasePlan Community activities and initiatives took place every week throughout 2020 and included everything from daily exercise and mindfulness classes, virtual book groups and running clubs, to lipsync challenges and even a digital 'LeasePlan Olympics'. Employees were also offered one-to-one counselling if they felt they needed any extra support.

"We wanted to make sure that, even if we were all working from home, we remained connected and engaged," said Mike Lightfoot, LeasePlan's Chief Corporate Affairs & Sustainability Officer. "We felt it was really important that we sent a strong signal to all our colleagues – but especially those living alone – that we cared, that we valued our connections and that we would be there for them, all the way until the crisis is well and truly behind us."

At the end of 2020, all employees were surveyed as part of the company's annual Global Engagement & Integrity poll to gauge their feelings towards LeasePlan's working culture. LeasePlan's overall engagement score rose from 79.5% in 2019 to 84.3% in 2020. "We really believe this was a testament to our collective efforts to stay connected and engaged, even in the most difficult of circumstances."

WATCH OUR VIDEO ON NEXTGEN LEASEPLAN COMMUNITY HERE

"We wanted to make sure that, even if we were all working from home, we remained connected and engaged."

Mike Lightfoot
Chief Corporate Affairs & Sustainability Officer

Strategy

Our strategy is to become the world's first fully digital Car-as-a-Service company

Business > Strategy

What's next strategy

LeasePlan is competing for growth in the Car-as-a-Service industry, where – as a result of the megatrend from vehicle ownership to hassle-free subscription models – we expect accelerated growth in all market segments, including International, Domestic corporate, SME and Private. Growth is also being fuelled by:

- The continued conversion of financial lease markets to operational leasing across all segments in line with the full-service subscription megatrend
- The increasing demand for e-commerce related delivery vehicles (LCVs) in the Corporate and SME segments
- Increasing desire for Car-as-a-Service among SME & Private customers, who value the safety, certainty and financial predictability offered by Car-as-a-Service subscriptions

LeasePlan's ability to capture the significant growth we see ahead of us is inextricably linked to ability to deliver better digital services than our competitors at lower cost. That's why our strategy is to transform to a completely digital business model, becoming the world's first fully digital Car-as-a-Service company.

For more information on the market trends driving growth in our industry, please see *page 89*.

Our strategy is being delivered through five priority areas, each of which is supported by a detailed implementation roadmap.

01. Continue implementation of Digital LeasePlan to enable accelerated profitable growth

LeasePlan's digital business model

Key features of our digital business model are:

- An enhanced digital customer service experience, delivered at digital cost levels, with a focus on self-service, automation and direct processing
- A broader 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, product and process optimisation
- An ability to scale rapidly, without adding significant cost, through a fully digitised, standardised and global product, service and process architecture (NGDA)

LeasePlan's ability to capture the growth we see ahead of us is inextricably linked to our consistent delivery of better digital services at lower cost than our competitors. Achieving this requires nothing less than the complete digitisation of our business model, and LeasePlan has already made significant progress in this area – for example, launching our LCV Fleet Manager Portal, which enables customers to proactively monitor and manage their fleet via real-time insights, as well as the rollout of our industry leading My Fleet reporting tool, now available to tens of thousands of fleet managers around the world. Beyond these individual proofpoints, work is underway to harmonise all products and services, and to standardise our processes across LeasePlan entities using a 'customer journey' approach.

These harmonised offerings will be powered by a new product, service and process IT architecture – our Next Generation Digital Architecture (NGDA). Starting with four front runner countries, the NGDA is being deployed in a phased approach, with each entity going through a rigorous cycle of preparation, migration and benefits realisation. When complete, LeasePlan will not only be able to create new online businesses based on our core competencies (as we are already doing with CarNext.com), but also be able to digitally integrate new services from across the broader Car-as-a-Service ecosystem. We already see the potential of this strategy with our LeasePlan Energy joint venture, which has allowed us to enter the energy market in the Netherlands through a pioneering, sustainable smart charging solution.

WATCH OUR VIDEO ON NEXT GENERATION DIGITAL ARCHITECTURE HERE

Next Generation Digital Architecture

Our new product, service and process IT architecture will be enabled by one harmonised global IT landscape of data, application systems and infrastructure: our Next Generation Digital Architecture. This new IT architecture will be:

- 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:

- Digitise every aspect of our customers' journeys in a frictionless way and at digital cost levels
- Create and scale new internet-based businesses and marketplaces 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 leveraging data from our approximately 1.9 million vehicles

We will implement the NGDA module by module, using a combination of best-in-class off-the-shelf platforms and custom solutions where such platforms are unavailable.

2. Accelerate growth in Car-as-a-Service via digitally enabled growth

Nowhere is our digital approach more important than in our Car-as-a-Service business, where we believe digitisation will enable us to achieve additional accelerated growth, unlocking large, profitable opportunities in all of our market segments. For example, within the International/Corporate segment, a key focus will be 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 e-commerce related 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

Our digital strategy will also be fundamental to growing our SME and Private businesses, where penetration rates are extremely low. Here we will use a direct digital sales and service approach via online platforms, as well as strategic partnerships with OEMs, financial institutions, mobility providers and dealer networks. Flexibility will be an increasingly key part of our offer towards these segments – for example, via our FlexiPlan and NoStressPlan products – further stimulating adoption of Car-as-a-Service among these underserved target groups.

Customer journeys

A key element of our digital strategy is to completely digitise our customer journeys. This will not only help us provide our customers with the best possible service experience, but also lead to digital cost levels. Our initial focus is on implementing the following customer journeys:

- Help me choose my car online – providing corporate drivers with an effortless online experience, enabling them to choose and customise their lease vehicle online
- Digital SME onboarding – offering SME prospects the possibility to select and order their car online through an interactive showroom
- Following My Fleet – enabling fleet managers to easily manage their fleets via a new Fleet Manager Platform
- Keeping me safely on the road – creating a seamless, integrated RMT offering for our drivers

03. Grow CarNext.com

CarNext.com – our disruptive platform for high-quality used cars – is a significant proofpoint of our digital approach. With CarNext.com, we have built a fully online marketplace that enables both B2C and B2B customers to buy or subscribe to a wide range of high-quality used cars both from LeasePlan's European Car-as-a-Service fleet and trusted third-party suppliers. In doing so, we have disintermediated the traditional used-car market dynamics and are providing our customers with competitively-priced, high-quality cars in an industry characterised by mistrust and a lack of transparency. In addition to its B2C offering, CarNext.com operates a B2B online auction platform for professional buyers, and provides third-party suppliers with an end-to-end solution to resell their cars in an efficient and financially attractive way. Going forward, we will continue to invest in CarNext.com's proprietary technology, expand its ancillary services offer and grow its network of trusted third-party suppliers. A key focus will be the further development of the 'Asset Control Tower', via which CarNext.com maximises the value of the cars on its platform (including those of trusted third-party suppliers) by determining the best geography and channel in which the cars should be marketed (B2B/B2C).

CarNext.com is managed by its own dedicated management team. We continue to review various strategic alternatives for CarNext.com, including a potential full or partial separation of CarNext.com from the Group, whereby LeasePlan would continue to sell its used cars through the CarNext.com B2B and B2C platforms.

04. Aim to achieve net zero tailpipe emissions from our funded fleet by 2030

Climate change is the most important long-term challenge facing society, with road transportation, including the cars in our global corporate fleets, accounting for approximately 20% of energy-related carbon dioxide emissions globally, as well as being the main cause of air pollution in our towns and cities. As a responsible company committed to the implementation of the Paris Agreement and climate-related Sustainable Development Goals, LeasePlan has set the ambitious goal of achieving net zero tailpipe emissions from its funded fleet by 2030, taking a leadership role in the transition from internal combustion engines to electric and other alternative powertrains. Our sustainability strategy has three key focus areas: shaping the future of low-emission mobility; strengthening our contribution to societal wellbeing; and reducing our own environmental impact.

For more information on our sustainability strategy, please see *page 58*.

05. Drive operational excellence

LeasePlan is achieving operational excellence through the implementation of an integrated pan-European operating model that leverages our scale and best practices across European countries. Today, our commitment to operational excellence and effective cost control remains at the forefront of our strategy, supported by Digital LeasePlan, as well as our cross-company 'Business Excellence' programme. Through this programme, our overall company targets are translated into specific KPIs for individual employees, creating a culture of ownership, accountability and performance across the company. Recent operational excellence highlights include the implementation of 'Lean' budgeting methodologies to further embed a culture of cost discipline across the company, a new e-invoicing tool to reduce overdues and improve efficiency, as well as the introduction of Lean processes in procurement.

Financial and business review

LeasePlan delivered solid results despite exceptionally challenging circumstances and investments in growth, our digital business model and CarNext.com

Financial and business review

Financial highlights 2020

- Net result of EUR 253 million
- Underlying net result of EUR 406 million including increased operating expenses related to investments in growth, digital platforms and CarNext.com
- Car-as-a-Service serviced fleet growth flat for the full year at approximately 1.9 million vehicles and underlying net result of EUR 486 million despite Covid-19-related impacts, demonstrating the strong resilience of the business model
- CarNext.com revenues of EUR 138 million (+15.7%) with lower B2C retail sales (full year -2.5%) due to Covid-19-related temporary store closures

Key numbers[30]

	2020	2019	% YoY Growth
Volume			
Serviced fleet (thousands), as at 31 December	1,852.1	1,865.2	-0.7%
Number of vehicles sold (thousands)	271.3	283.8	-4.4%
Profitability			
Underlying net result (EUR million)	405.7	556.5	-27.1%
– Car-as-a-Service	485.8	605.2	-19.7%
– CarNext.com	-80.1	-48.7	-64.6%
Net result (EUR million)	252.5	403.0	-37.3%
Underlying return on equity[31]	10.3%	15.2%	

Covid-19 update

As a result of the actions of our experienced management team, LeasePlan is well positioned to continue to minimise the impact of national lockdowns on its business, customers and employees, also supported by our strong liquidity buffer of EUR 7.1 billion.

- **Core leasing business** –Overall, our serviced fleet growth was flat for FY2020. In April and May, the disruption to the OEM supply chain led to a postponement in new vehicle procurement, slowing down our serviced fleet growth and reducing rebates & bonuses on new vehicle purchases. From June, we saw a recovery in new vehicle deliveries as dealers and factories opened-up. The recovery continued into Q4, despite a second wave of national lockdowns, with a rebound in order activations and a service fleet growth of +0.8% (vs Q2 2020). Going forward, we expect long-term growth in our core segments, especially SME/Private, to remain strong as customers continue to opt for safe personal vehicle subscriptions over other mobility options.
- **Customer credit portfolio** – From the beginning of the pandemic LeasePlan received customer requests for payment relief measures which were assessed and granted on a case-by-case basis. To date, most customers are on track with their adjusted payment schedule with only 6% considered in default by the end of Q4. Full year 2020 provisions totalled EUR 76 million (2019: EUR 31 million) resulting in a net addition to the provision of 36 bps (2019: 14bps). In relation to defaulted customers, LeasePlan also booked a EUR 25 million asset impairment of operating lease assets in underlying adjustments for potential book value losses on cars from defaulted customers.

30. Due to rounding, numbers throughout this release might not add up precisely to the totals provided. Percentages are calculated based on un-rounded numbers]

31. RoE is based on equity excluding the additional Tier 1 instrument. Including the AT1, RoE is 9.9% for FY 2020 and 14.6% for FY 2019]

- **Used-car market** – Looking back on 2020, the pandemic caused high levels of disruption to the functioning of used-car markets across Europe from March to May, as many markets were effectively shut and others experienced abruptly reduced levels of demand and dislocations. From June, used-car market prices recovered faster than expected to pre-Covid levels as B2B and B2C business activities resumed. In November and December, a second wave of country lockdowns resulted in temporary CarNext.com store closures causing lower business activity, however used-car pricing remained at or above pre-Covid levels.

Group performance[32]

In millions of euros, unless otherwise stated	2020	2019	% YoY Growth
Lease and Additional Services income	6,673.6	6,815.1	-2.1%
Vehicle Sales and End of contract fees	3,179.9	3,303.2	-3.7%
Revenues	**9,853.5**	**10,118.3**	**-2.6%**
Underlying cost of revenues	**8,399.2**	**8,509.7**	**-1.3%**
Lease Services	557.7	622.5	-10.4%
Fleet Management and other Services	205.4	288.6	-28.8%
Repair and Maintenance Services	280.8	329.7	-14.8%
Damage Services and Insurance	333.9	297.4	12.3%
Underlying lease and additional Services gross profit	**1,377.9**	**1,538.2**	**-10.4%**
End of contract fees	135.5	143.6	-5.7%
Profit/Loss on disposal of vehicles	-59.0	–73.1	19.3%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	**76.5**	**70.5**	**8.5%**
Underlying gross profit	**1,454.3**	**1,608.7**	**-9.6%**
Underlying operating expenses	999.4	944.3	5.8%
Other income	0.1	–	
Share of profit of investments accounted for using the equity method	3.6	4.5	
Underlying profit before tax	**458.6**	**668.8**	**–31.4%**
Underlying tax	52.8	112.3	–52.9%
Underlying net result	**405.7**	**556.5**	**–27.1%**
Underlying adjustments	-153.2	–153.5	
Reported net result	**252.5**	**403.0**	**–37.3%**
Staff (FTEs at period end)	8,399	7,956	5.6%

32. *In addition to IFRS financial measures, LeasePlan 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, results related to the acquisition or 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. See note 3 – Segment information*

Revenues decreased by 2.6% to EUR 9,853 million. **Lease and Additional Services income** was down by 2.1% to EUR 6,674 million due to lower business activity and some FX impact. **Vehicle Sales and End of contract fees** were down by 3.7% to EUR 3,180 million driven by lower vehicles sold.

Underlying Lease and Additional Services gross profit was down by 10.4% to EUR 1,378 million, mainly driven by reduced income and rebates & bonuses across all gross profit lines due to lower business activity, and a EUR 5 million addition to the provision for potential credit losses impacted by Covid-19, partially offset by strong Damage Services & Insurance results (up 12.3% to EUR 334 million). **PLDV and EOCF gross profit** was up by 8.5% to EUR 76 million with used-car pricing at or above pre-Covid levels.

Underlying operating expenses were up 5.8% to EUR 999 million including increased investments in growth, digital platforms and CarNext.com. In scaling-up CarNext.com, we increased operating expenses for the business to EUR 40 million, mainly in our data-driven platform and our leading technology infrastructure

The underlying tax rate was 11.5% due to application of the Italian Superdepreciation scheme and a tax reduction related to the deductibility of AT1 capital interest.

Underlying net result was down 27.1% to EUR 406 million due to a reduced gross profit margin impacted by Covid-19 and increased operating expenses related to investments in growth, digital platforms and CarNext.com, partially offset by higher PLDV & EOCF gross profit and strong Damage Services & Insurance results.

Reported net result was down 37.3% to EUR 253 million, including underlying adjustments of EUR 44 million from mainly costs related to CarNext.com BU set-up, impairments on right of use assets (related to office/retail buildings), a true-up for the operating lease impairment provision, book value losses related to cars from defaulted customers and a mark-to-market result on derivatives.

Financial performance: Car-as-a-Service

In thousands	2020	2019	% YoY Growth
Serviced fleet, as at 31 December	1,852.1	1,865.2	-0.7%
Funded fleet, as at 31 December	1,347.9	1,367.4	-1.4%
Number of vehicles sold	271.3	283.8	-4.4%
of which through CarNext.com	238.6	254.7	-6.3%

In millions of euros	2020	2019	% YoY Growth
Lease and Additional Services income	6,674.0	6,815.2	-2.1%
Vehicle Sales and End of contract fees	3,162.2	3,296.1	-4.1%
Revenues	**9,836.3**	**10,111.2**	**-2.7%**
Underlying cost of revenues	8,417.8	8,540.5	-1.4%
Underlying Lease and Additional Services gross profit	1,377.1	1,534.3	-10.2%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	41.3	36.5	13.1%
Underlying gross profit	**1,418.4**	**1,570.7**	**-9.7%**
Underlying operating expenses	856.3	840.9	1.8%
Share of profit of investments accounted for using the equity method	3.6	4.5	
Underlying profit before tax	565.8	734.3	-22.9%
Underlying tax	80.0	129.2	-38.1
Underlying net result	**485.8**	**605.2**	**-19.7%**

Serviced fleet was stable at approximately 1.9 million vehicles despite reduced demand for leasing in Q2 2020 in core European markets offset by growth in RoW (Serviced fleet up 0.8% since Q2 2020).

Revenues decreased 2.7% to EUR 9,836 million. **Lease and Additional Services income** was down 2.1% to EUR 6,674 million due to lower business activity and some FX impact. **Vehicle Sales and End of contract fees** were down 4.1% to EUR 3,162 million, driven by lower vehicle sales.

Underlying Lease and Additional Services Gross Profit was down 10.2% to EUR 1,377 million, mainly driven by reduced income and rebates & bonuses across all gross profit lines due to lower business activity, and a EUR 5 million addition to the provision for potential credit losses impacted by Covid-19, partially offset by strong Damage Services & Insurance results (up by 12.3% to EUR 334 million). **PLDV and EOCF gross profit** was up by 13.1% to EUR 41 million.

Underlying operating expenses were up 1.8% to EUR 856 million including increased investments in growth and digital platforms offset by tight cost control across the year.

Underlying tax rate was 14.1% due to application of the Italian Superdepreciation scheme and a one-time tax reduction related to the deductibility of AT1 capital interest.

Underlying net result was down 19.7% to EUR 486 million driven by Covid-related reduced gross profit margin and higher operating expenses related to investments in growth and digital platforms, partially offset by higher PLDV & EOCF gross profit and strong Damage Services & Insurance results.

Operational highlights Car-as-a-Service

In our Car-as-a-Service business, LeasePlan again delivered a solid performance across all customer segments. New LCV registrations significantly outperformed the market, demonstrating our ability to handle rapidly increasing demand for delivery vehicles among Corporate and SME clients. Supported by our popular FlexiPlan offer, the Private lease segment also performed well, achieving accelerated growth, especially in the Netherlands, Spain, Portugal and Denmark. In addition, our service offering across key segments was bolstered by the rollout of our roadside assistance partnership with ARC Europe Group, including in Luxembourg (ACL), the UK (AA), Portugal (ACP), Denmark (FDM) and Norway (NAF).

LeasePlan continued to make progress with its digital transformation in 2020, introducing new products to improve services and lower costs. This included the further rollout of our LCV Fleet Manager Portal, which enables customers to proactively monitor and manage their fleet via real-time insights, as well as the continued rollout of the My Fleet reporting tool to an additional 80,000 fleet managers. Our SME Digital Showroom was also rolled out in an additional three markets and is now available in 11 countries, enabling SME customers to easily order and customise their new vehicles fully online. On the sustainability front, electrification of the LeasePlan fleet continued apace, with new orders for electric vehicles and plug-in hybrids increasing to a record 14.9%[33] in 2020 (2019: 7.4%), underlying the strength of our strategy to achieve net zero tailpipe emissions from our funded fleet by 2030.

33. *New orders of Battery Electric Vehicles and Plug-in Hybrid Electric Vehicles (Private Vehicles and Light Commercial Vehicles), excluding USA*

Business > Financial and business review

Financial performance: CarNext.com

Sales volume[34]

In thousands	2020	2019	% YoY Growth
B2B sales	199.5	214.6	-7.0%
B2C sales	39.1	39.6	-2.5%
Total	**238.6**	**254.2**	**-6.3%**

In millions of euros, unless otherwise stated	2020	2019	% YoY Growth
Revenues	**138.3**	**119.5**	**15.7%**
Underlying cost of revenues	**102.3**	**81.6**	**25.3%**
Underlying gross profit	**36.0**	**37.9**	**-5.0%**
Underlying operating expenses	143.3	103.4	38.5%
Underlying profit before tax	**-107.2**	**–65.5**	**-63.7%**
Underlying tax	-27.2	–16.9	-61.0%
Underlying net result	**-80.1**	**–48.7**	**-64.6%**
Allocated assets	216.1	156.9	37.7%
Allocated liabilities	166.2	116.6	42.6%

B2C retail volumes were down by 2.5% to 39,100 vehicles due to reduced business activity from Covid-related temporary store closures, partially offset by strong growth in online used-car sales.

Despite lower B2C and B2B volumes, revenues were up 15.7% to EUR 138 million, mainly driven by the implementation of our active car sourcing strategy resulting in higher third-party sales and due to the growing demand for our range of ancillary services. Gross profit was down 5.0% to EUR 36 million due to lower B2C and B2B sales volumes, partially offset by growth in the margin per sold car.

Underlying operating expenses were up 38.5% to EUR 143 million, as CarNext.com continued to invest in its data-driven platform and leading technology infrastructure, as well as our online business model including commercial and sourcing capabilities focusing on accelerating future growth.

The underlying tax rate was down 1.7 percentage points to 25.2% driven by a blend of statutory rates in which CarNext.com operates.

Underlying net result was EUR –80 million, driven by lower B2C and B2B sales due to Covid-19 and increased strategic investments in CarNext.com.

34. B2C sales: excluding used-car leasing and third-party sales

Operational highlights: CarNext.com

CarNext.com continued to deliver on its mission to become the leading pan-European platform for high-quality used cars with revenues up overall in the year, driven by its active sourcing strategy and increasing demand for CarNext.com's growing range of ancillary services, which now include extended warranties and maintenance service packages. Despite the overall fall in B2C retail volumes due to the temporary closure of stores as a result of Covid-19, online sales grew strongly, as CarNext.com continued to optimise the online buying experience with new services, including Click & Collect, contactless delivery and fully online payments.

CarNext.com's B2B proposition was strengthened by a new trader app, with cross border volumes now reaching pre-Covid levels as of Q3. CarNext.com also successfully launched a commercial with F1 driver Max Verstappen in 2020 as part of a new marketing campaign to increase brand awareness and sales across Europe. Following a thorough review into UK used-car market dynamics, CarNext.com took the decision to cease selling vehicles to retail customers in the UK and closed its UK store. In 2020, LeasePlan concluded an agreement with its long-term UK remarketing partners, BCA and cinch, to handle retail sales in the UK. This decision does not affect CarNext.com's strategy to achieve accelerated growth in continental Europe.

Funding

Despite the challenging and unprecedented market backdrop brought about by Covid-19, LeasePlan demonstrated continued access to funding across all of its platforms in 2020. The depth of this access was evidenced by EUR 3.0 billion being raised in 2020 across Retail, ABS and senior unsecured funding as well as the extension of the group's EUR 1,050 million Term Loan Facility.

In senior unsecured funding, Q2 2020 saw the launch of LeasePlan's second five-year Green Bond transaction, under its newly updated Green Finance Framework[35], for EUR 500 million, bringing the total amount of Green Bonds outstanding to EUR 1.0 billion. In addition, the issuance of selective private placements brought total senior unsecured funding to EUR 575 million. In secured funding, LeasePlan successfully extended its privately placed AUD 600 million Bumper AU transaction while a further EUR 1.0 billion was raised via the Bumper ABS programme comprising an inaugural transaction in Belgium which delivered EUR 500 million via a warehouse facility, and a privately placed transaction in the Netherlands for an additional EUR 500 million. LeasePlan's Retail Bank raised EUR 966 million in Q2 helped by a campaign in Germany to celebrate the 10-year anniversary of the launch of LeasePlan Bank in the jurisdiction. In total, retail deposit volume grew in 2020 by 1,449 million to bring the amount of retail deposits outstanding at 31 December 2020 to EUR 9.1 billion (2019: EUR 7.7 billion).

The appetite for LeasePlan exposure allowed the group to create the strongest liquidity buffer in LeasePlan's history, EUR 8.7 billion, aiding the group as it navigated the uncertainty created by the global pandemic while supporting our customers in safeguarding their mobility needs. In the second half of 2020, the company decided to reduce the liquidity buffer via a normal pattern of redemptions and new business and LeasePlan concluded the year with a strong liquidity buffer at a normalised level of EUR 7.1 billion (2019: EUR 6.7 billion), consisting of cash balances as well as access to its undrawn EUR 1.5 billion committed revolving credit facility.

LeasePlan expects to continue to utilise its unique diversified funding platform to meet its future funding requirements.

35. *Which follows the final Technical Expert Group's report on the EU Taxonomy*

Capital

Common Equity Tier 1 (CET1) ratio as per 31 December 2020 was 16.7%[36] calculated at the regulatory sub-consolidated level (LeasePlan Corporation N.V. consolidated). At this sub-consolidated level, the Total Capital ratio is 19.2%[37] which is equal to the Tier 1 capital ratio. Following the Supervisory Review and Evaluation Process (SREP) by the Dutch Central Bank (DNB), LeasePlan's minimum capital requirements were set at 6.7% for the CET1 capital ratio (excluding any shortfalls in the AT1 and Tier 2 buckets allowed under Pillar 1 and Pillar 2 as at 31 December 2020 at the regulatory sub-consolidated level) and 11.9% for the total SREP Capital Requirement ratio.

These capital requirements take into account the effects stemming from the implementation of the new Definition of Default as per 1 January 2021. As a consequence of this implementation of the new Definition of Default, the TREA could increase during the course of 2021 with an amount up to EUR 2.7 billion (based on current estimations). This increase in TREA has been included in the calculation underlying the SREP minimum capital requirements for 2021. The CET1 and total SREP Capital Requirements exclude the combined buffer requirement (i.e. capital conservation buffer of 2.5% and counter-cyclical buffer of 0.05% as at 31 December 2020).

These minimum capital requirements apply to both the regulatory sub-consolidated (LeasePlan Corporation N.V. consolidated) and Consolidated (LP Group B.V. consolidated) levels.

As of 1 January 2021 LeasePlan is officially under the direct supervision of the European Central Bank.

Dividends

LeasePlan will follow the ECB's recommendation to exercise prudence and will continue to refrain from making any dividend distribution until 30 September 2021. The Managing Board proposes to the general meeting of shareholders to add part of the net profit 2020 in the amount of EUR 180.1 million to the retained earnings and to postpone a resolution as to the allocation of the net profit 2020 in the amount of EUR 35.7 million (equal to the net result for the fourth quarter of 2020 after taking into account the interest payable on AT1 instruments), and hence not to resolve on the distribution or allocation of this part of the net profit at this point in time. This amount of EUR 35.7 million is not included in CET1 capital, but will remain available for LeasePlan for either (i) future dividends once the ECB's recommendation has been revised or repealed, or (ii) inclusion in retained earnings.

Ratings

On 20 April Fitch affirmed LeasePlan Corporation N.V.'s LT rating at BBB+ and revised the outlook to Negative from Stable. Furthermore, the ST rating was downgraded to F2 from F1. On 24 April S&P affirmed LeasePlan Corporation N.V.'s ratings and outlook at BBB- with a Stable outlook.

On 21 September 2020 Fitch affirmed LeasePlan Corporation N.V.'s Long Term Issuer Default Rating (IDR) at BBB+; Outlook Negative. LeasePlan's Short Term IDR was also affirmed at F2.

36. *CET1 ratio at the regulatory Consolidated level (LP Group BV consolidated) is 16.7% (also excluding the Q4 2020 interim net results) and CET1 ratio at the regulatory Solo level (LeasePlan Corporation N.V.) is 15.1% as per 31 December 2020. The CET1 ratio at the regulatory Solo level excludes the full-year 2020 net results.*

37. *These CET1 and Total Capital ratios do not take into account the Q4 2020 interim net results.*

Sustainability

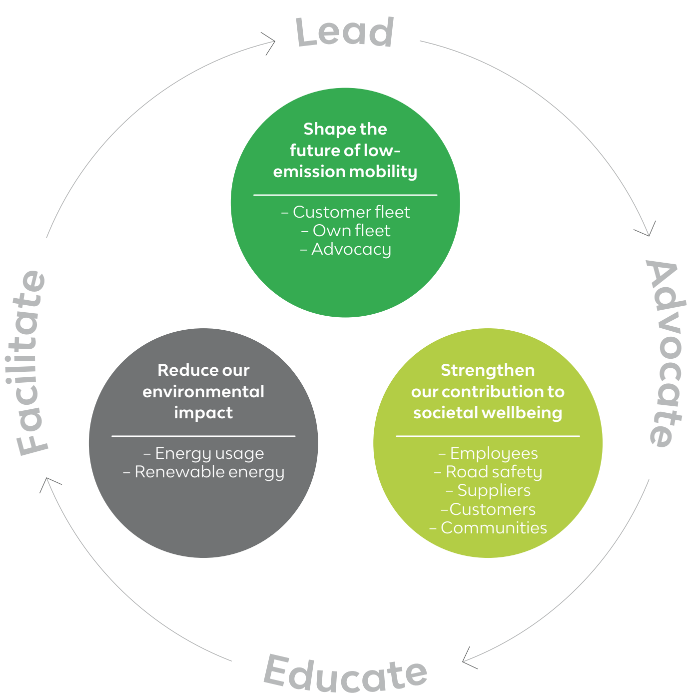
We want to build a future-proof company that balances the needs of people, planet and profit

Sustainability strategy

We want to build a future-proof company that balances the needs of people, planet and profit. Within this context, our sustainability strategy is based on three priority areas:

1. **Shaping the future of low-emission mobility**
2. **Strengthening our contribution to societal wellbeing**
3. **Reducing our own environmental impact**

Each pillar of our strategy is supported by a dedicated workstream, which develops action plans, defines KPIs and monitors progress based on LeasePlan's internal criteria. This process is underpinned by a clear governance structure, consistent reporting and an open dialogue with stakeholders to determine the topics that are most material to our business. LeasePlan will update its Sustainability Strategy in 2021.



At the heart of the conversation

HOW LEASEPLAN IS LEADING THE GLOBAL TRANSITION TO ZERO EMISSIONS

Achieving zero emissions requires a cross-sector effort from governments, NGOs and the private sector. To support this drive, Mike Lightfoot, Chief Corporate Affairs & Sustainability Officer, explains how LeasePlan is using its scale, expertise and broad geographic presence to build coalitions to advocate for the long-term policies and incentives that will make it possible for everyone to go electric.

At the heart of the conversation

Over the past five years, LeasePlan has led the charge for sustainable mobility in the Car-as-a-Service industry. "Ever since we became a founding member of the EV100 at the UN in 2017, the fleet industry has really woken up to its critical and enabling role in cutting the 20% of global CO_2 emissions that come from road transportation. Together, we have enormous potential to tackle climate change: around half the cars on the road belong to corporate fleets. If they make the switch, we'll make a huge dent in road transport emissions."

However, as Mike explains, barriers to the EV transition remain. "Our opinion polling has shown us that lack of public charging infrastructure is a major roadblock holding back many drivers from transitioning to EVs.

That's why in 2020 we launched 'ChargeUpNow', a global initiative calling on local and national policymakers to implement five policy recommendations to ensure a universal, affordable and sustainable charging infrastructure. Ensuring governments commit to long-term incentives for drivers is also critical – we won't achieve mass adoption until there is EV price parity, and incentives still play a major role here."

What's next?

The EU Green Deal will only accelerate the transition to zero emissions as the European Commission makes electric driving a policy priority, explains Mike. "The Green Deal shows that governments want to support zero emissions, and that is encouraging, but policymakers also need the practical expertise of leaders like LeasePlan to make it happen, and identify issues as they arise. Going forward, we'll continue to push policymakers around the world to support zero emission mobility and make it possible for everyone to go electric."

WATCH OUR VIDEO ON EV ADOPTION HERE

"Going forward, we'll continue to push policymakers around the world to support zero emission mobility and make it possible for everyone to go electric."

Mike Lightfoot
Chief Corporate Affairs & Sustainability Officer

1. Shaping the future of low-emission mobility

We are committed to taking a leadership role in the transition from internal combustion engines to alternative powertrains in support of the Paris Agreement and UN Sustainable Development Goals. This means promoting the uptake of cleaner, low and zero tailpipe emission vehicles, and helping to provide the infrastructure required to make them a viable option for our customers and employees.

Net zero tailpipe emissions from funded fleet by 2030

LeasePlan has set itself the ambitious goal of achieving net zero tailpipe emissions from its funded fleet by 2030. To track its progress towards this goal, LeasePlan provides information on CO_2 emissions from all vehicles in the fleet, as well as the percentage of new vehicle orders which are for electric vehicles[38] in which over 2020 new EV orders averaged 14.9% of total vehicle orders, a 100% increase compared to 7.4% in 2019. The growth in EV new orders, which in Q4 2020 reached 16.5%, means that EVs now account for one out of every six new vehicles ordered by LeasePlan.

Demand for EVs continues to be driven primarily by forward-thinking corporate customers. It 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[39]. The year also saw an increase in demand for electric-LCVs from customers in the logistics and public sector.

5m

Tonnes of CO_2 tailpipe emissions from funded fleet (Scope 3)[40]

2020	5m
2019	5.5m
Target by 2030	0 tonnes

14.9%

New EV orders[42]

2020	14.9%
2019	7.4%
Target by 2030	100%

126 g/km

Average CO_2 tailpipe g/km per vehicle funded fleet[41]

2020	126
2019	133
Target by 2030	0 g/km

7.5%

Share of EVs in funded fleet[43]

2020	7.5%
2019	4%
Target by 2030	100%

While order rates are increasing, several factors continue to impair greater EV adoption in most countries, particularly the limited availability of charging infrastructure. Where possible, LeasePlan partners with industry leaders to provide end-to-end charging solutions for its customers and installed over 3,000 home chargers in 2020.

38. New orders of Full Electric Vehicles (FEVs) plus Plug-in Hybrid Electric Vehicles in 2020, excluding USA. Limited assurance was provided for this indicator by our external auditors

39. LeasePlan Car Cost Index 2020 is a comprehensive analysis of the true cost of owning a car – including fuel, depreciation, taxes, insurance and maintenance – in 18 European countries. www.leaseplan.com/corporate

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

41. This KPI has received limited assurance from our external auditors. It includes passenger vehicles (PVs) and light commercial vehicles (LCVs). The total for PVs was 116 g/km. The figures reported are on the basis of vehicle test (either WLTP or NEDC, dependent on the moment of matriculation)

42. New orders of Battery Electric Vehicles (BEVs) plus Plug-in Hybrid Electric Vehicles (PHEV) in 2020, excluding USA. Limited assurance was provided for this indicator by our external auditors

43. 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

Comprehensive solutions

We are targeting customers in 16 countries with our full package EV solution. This includes charging infrastructure, as well as the processes and IT platforms necessary to facilitate EV fleet management. Key features of our EV solutions include:

- Partnerships with automakers to offer EVs at attractive rates
- Products and services for workplace charging, home charging, charging in public areas and destination charging
- Consultancy services for business case impact, vehicle selection and transition planning
- A 24/7 helpdesk and answers to driver FAQs on EVs and charging
- Tutorials about all aspects of EV driving and tools to support the choice for drivers to go electric
- New digital products and services to support EV driving

In addition, LeasePlan continues to run educational initiatives and provides a wide range of published information about EVs through online and offline channels.

LeasePlan Energy

In 2020 LeasePlan launched LeasePlan Energy, a smart charging solution for EVs offered together with joint venture partner PowerD. The tool helps drivers save on electricity costs while enabling them to charge up with greener electricity from the grid. Currently available in the Netherlands, we aim to roll out LeasePlan Energy to other LeasePlan markets in Europe. Read more about LeasePlan Energy on *page 62*.

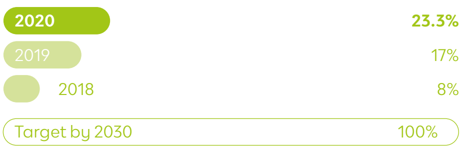
Transitioning our employee fleet to Battery Electric Vehicles

As part of our net zero commitment, we are also transitioning our own employee fleet to Battery Electric Vehicles (BEVs). Today 23% of our employee company vehicles are BEVs, and based on current estimates, we believe that between 50% and 60% of our employee fleet will be BEVs by end of 2021. LeasePlan will continue to transition its employees as fast as local country conditions for EV adoption allow.

In 2020, LeasePlan offset all emissions from its own employee fleet to net zero via the Land Life Company's reforestation programme. This programme has been in place since 2017 and enables us to combat climate change as we make progress on our longer-term transition goals.

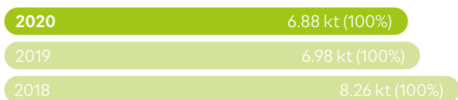
23.3%

Share of BEVs in employee fleet (across all markets)



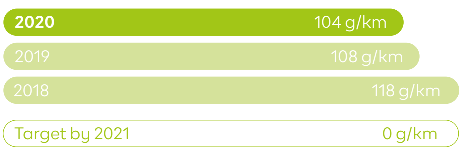
6.88 kt

Thousands of tonnes of CO_2 tailpipe emissions offset to zero in employee fleet (Scope 1) Tonnes offset to zero (100%)



104 g/km

Average CO_2 tailpipe g/km per vehicle employee fleet



CASE STUDY

Introducing LeasePlan Energy

LEASEPLAN ENTERS SUSTAINABLE ENERGY MARKET WITH LEASEPLAN ENERGY

2020 saw the launch of LeasePlan Energy, a smart charging solution for electric vehicles (EVs) offered together with joint venture partner PowerD. Using custom algorithms, LeasePlan Energy enables EV drivers in the Netherlands to save money while reducing their use of gray energy. It also opens a new market for LeasePlan, making the company a complete end-to-end EV service provider. Pieter Williams, Co-founder of PowerD, explains more.

Greening the grid

"Smart charging is actually quite simple," says Pieter. "Charging takes place when energy from sustainable sources such as wind and solar is abundant, and pauses when renewable energy is unavailable or when market demand and prices reach a peak."

Pieter explains that the benefits of smart charging are clear for drivers: "Not only does the consumer reduce their environmental impact and unlock the full green potential of their EV, but they also save money. By charging EVs when renewable energy sources are most abundant, LeasePlan purchases energy at lower market prices, leading to lower costs for drivers."

Pieter continues: "But the benefits actually go beyond this, and reach the entire grid. By storing renewable energy at peak production times, EVs can be used as assets to continuously restore the balance between supply and demand on the electricity market. In this way, rather than putting additional pressure on national and local energy grids, smart charging enables EVs to smoothen the process."

What's next?

"LeasePlan Energy has been live in the Netherlands since summer 2020, and the results have been great: customers are impressed with how simple the app is and how smart charging is actually just as easy as regular charging," says Pieter. "Looking forward, we want to continue our expansion beyond the Netherlands to other LeasePlan markets in Europe, cementing LeasePlan's role in the emerging EV energy market."

WATCH OUR VIDEO ON EV ADOPTION HERE

"Looking forward, we want to continue our expansion of LeasePlan Energy beyond the Netherlands to other LeasePlan markets in Europe, cementing LeasePlan's role in the emerging EV energy market."

Pieter Williams

Co-founder of PowerD

Advocating change in our industry

Achieving zero emissions from road transport cannot be achieved alone. That's why we work with leading international NGOs, including The Climate Group's EV100 organisation, as well as the World Economic Forum (WEF) and the World Business Council for Sustainable Development, to promote the policies required. Together with our partners, in 2020, we launched our new 'Global Charge Up Now Initiative' to send a clear message to national and local policymakers about the urgent need for universal, affordable and sustainable EV charging infrastructure. In addition, we teamed up with a range of leading companies and organisations from the car leasing and e-mobility sector to call on the European Commission to require the electrification of company car fleets as part of its new Sustainable and Smart Mobility Strategy. The proposal is for companies with vehicle fleets of 25+ cars to be mandated to purchase 50% of their fleet as zero-emission vehicles from 2025, and 100% by 2030.

2. Strengthening our contribution to societal wellbeing

We are committed to strengthening our contribution to societal wellbeing. Within this context, we focus on the following objectives:

1. Making sure we offer our employees a safe, healthy and non-discriminatory environment where they can develop their talents
2. Helping improve driver safety in customer and employee fleets
3. Ensuring our suppliers and customers act in accordance with our high ethical standards and all applicable laws
4. Engaging with the communities in which we operate and having a positive impact

84.3%

Employee engagement plus score[44]

2020	**84.3**
2019	79.5
2018	66
Target by 2021	75 or more

1.1%

Bodily injury rate[45]

2020	**1.1%**
2019	1%
2018	1.2%

90%

Percentage of spend covered by Supplier Code of Conduct in 2019

2020	**90%**
2019	90%
2018	90%
Long-term target	100%

30%

Diversity[46]

(percentage of females at top three layers)

2020	**30**
2019	30
2018	27
2017	25
Target by 2021	30

44. This KPI has received limited assurance from our external auditors
45. Percentage of vehicle accidents that result in bodily injuries based on data from 18 European countries
46. 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

Values and ethics

As one of the world's largest Car-as-a-Service companies and an employer of 8,500 people, we have a responsibility to apply high standards in our personal conduct and day-to-day business decisions. We therefore work to ensure our values and ethics are embedded in our behaviour, processes and actions. 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.

Human rights

We recognise that human rights are fundamental and universal. We aim to 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 therefore 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 and Supplier Code of Conduct *(www.leaseplan.com)*. Respect for human rights is also embedded in our Code of Conduct which all employees are required to review and confirm annually. Furthermore, a whistleblower mechanism is in place for all employees.

Employees

We believe 'you cannot grow a business; you can only grow people who can grow the business'. We drive success by giving our people opportunities to develop their potential and by creating a tolerant and inclusive environment in which they can thrive. Despite the unprecedented challenges created for our people by Covid-19, the year also provided new opportunities to advance our learning and development strategy and improve our levels of employee engagement.

Covid-19 response

LeasePlan closed all of its offices globally early on in the pandemic to safeguard the health of its employees and customers. We moved quickly to facilitate home working for our 8,500 employees in 32 countries, and accelerated the roll out of new digital tools and platforms that our people need to stay connected to our customers and with each other. With the support of our digital team, Office Teams was availably globally within a few weeks, and we were able to run our business successfully from home from the earliest stages of the lockdown.

Beyond these tools, the new work-from-home environment presented a number of everyday practical challenges that we sought to address locally and at a global level. For example, we delivered office chairs to employees at home, helped arrange home wi-fi for some who did not have it or live in rural areas, and offered laptops to those that did not already have access to them. Where parents needed time to provide home schooling as a result of the lockdown, we arranged for more flexibility in working hours. For customer-facing employees, our priority was to enable them to engage, whether online or at stores, in an efficient and safe way, and where necessary we provided them with face masks and plastic protection shields.

Regardless of role or function, one of our biggest priorities has also been to help protect the mental, physical and emotional wellbeing of our employees during a time of isolation from friends, families and colleagues. In April, we therefore launched a new NextGen LeasePlan Community platform through which we offered a wide range of daily and weekly activities, ranging from group exercise sessions and mindfulness classes, virtual book groups, competitions, discussions and more. We also offered one-to-one counselling to those who felt they needed extra support.

WATCH OUR VIDEO ON NEXTGEN LEASEPLAN COMMUNITY HERE

Flexible NextGen way of working

The Covid-19 pandemic has disrupted our work routines more fundamentally than anybody could have imagined, and forced us to rethink the way we collaborate and connect. As a result of the changes brought on by the pandemic, the new possibilities offered by digital technology and the increasing desire for flexible working arrangements among our employees, we have begun detailed planning for a flexible way of working at our offices. This includes having more meeting rooms with video conferencing and increasing the number of focus rooms for those looking for peace and quiet. Going forward, we will be sharing detailed guidance on effective hybrid working meeting habits. In addition, given the flexible working arrangements, in some cases we have decided to decrease our office footprint, although we have committed to ensuring that anyone who cannot work from home can always work from the office if needed.

Culture and ethics

At LeasePlan we recognise that the trust and confidence placed in us by our 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. LeasePlan's integrity programme ensures that integrity is sufficiently embedded in our employees and our company's culture. For more information on LeasePlan's integrity programme please refer to Privacy & Compliance on *page 92*.

People strategy

To reach our goals while meeting the requirements of a flexible way of working, we have updated our People Strategy, which is based on the following five pillars:

1. **Strengthen our leadership team:** developing a highly effective leadership culture and pipeline of people to meet our future needs.
2. **Personal growth:** building digital skills and competencies at an increased pace to support our immediate needs and those of the years ahead.
3. **Effective compensation and benefits:** creating a high degree of ownership and responsibility by recognising and rewarding excellent performance.
4. **Talent management:** helping our people reach their full potential by offering them the opportunities and support to reach the next level in their careers, with increased focus on digital roles and capabilities.
5. **Diversity and engagement:** supporting all our employees in every situation through online connectedness, and with a diverse, highly engaged workforce that supports the delivery of LeasePlan's strategy.

Employee base

Our global employee base totalled 8,513 at 31 December 2020. Of this number, approximately 53% were male and 47% were female. For the top three layers, gender distribution remained unchanged this year at 69.4% and 30.6% for men and women respectively.

While LeasePlan has a relatively strong balance of gender diversity, we recognise there is still considerable room for us to improve. We are determined to take strong steps to improve our diversity and inclusion in the years ahead and have developed a comprehensive strategy that will help us achieve this (see Diversity & inclusion on *page 67*).

Engagement

Employee engagement is an important focus for LeasePlan, and every year we check in with our employees to get their feedback on what is going well and what needs to improve. In 2020, with most people working from home for much of the year, we launched the survey in October, after having intensified our efforts to stay connected and engaged during the challenging circumstances of the lockdown. Our increased efforts were reflected in our overall global 'engagement plus' score, which rose strongly to 84.3% in 2020, which is significantly higher than in 2019 (79.5%), and the highest score in LeasePlan's history.

CASE STUDY

Seat at the table

DIVERSITY AND INCLUSION AT LEASEPLAN

Following the Black Lives Matter protests earlier this year, diversity and inclusion (D&I) has never been more important in the modern workplace. But what does D&I mean for LeasePlan? Tjahny Bercx, Chief People & Performance Officer, shares his views.

What's your view on diversity and inclusion?

It's a broad topic, but if I had to sum it up, I'd say that D&I is about creating an environment in which everyone not only has the freedom and confidence to be themselves, but is also supported to succeed.

For me, though, it's really important to highlight that D&I isn't just a 'work thing' – my hope is that, by championing D&I within LeasePlan, we are also working towards the inclusion of people from diverse backgrounds outside of our company as well, starting with our customers and partners.

I believe the actions each one of us takes on a day-to-day basis – at a personal and organisational level – can really have a positive impact on society at large.

What are your D&I focus areas?

Essentially, we want to structurally embed D&I in all of our activities and business processes. That starts with our D&I policy, which sets out what we expect from employees in terms of D&I and establishes how it should be embedded in our key internal processes, especially recruitment.

We're also taking action on a number of specific areas where we think we can improve. For example, we're working hard to ensure gender equality at all levels within LeasePlan, including senior leadership, through our 'Talent to the Top' initiative. We're also educating our employees around unconscious gender, sexual orientation and racial bias, as well as equalizing the benefits of our LGBTQI+ employees, regardless of the country they live in.

It's a big and important agenda but it will only grow as the conversation deepens both across LeasePlan and in society more broadly.

WATCH OUR VIDEO ON DIVERSITY AND INCLUSION HERE

"D&I isn't just a 'work thing', we are also working towards the inclusion of people from diverse backgrounds outside of our company as well, starting with our customers and partners."

Tjahny Bercx
Chief People & Performance Officer

Diversity & inclusion

The topic of Diversity & Inclusion has never been more important in the modern workplace than it is today. Our aim is to build a non-discriminatory culture in which everyone can be themselves and where everyone has an equal chance to make their journey count, regardless of race, nationality, gender, age or sexual orientation. Our belief is 'none of us is as strong as all of us'.

Beyond being the right thing to do, we believe D&I also makes good business sense, with a growing body of evidence showing that more diverse teams perform better than homogeneous ones. Diversity leads to increased creativity and innovative capacity, well-balanced decision making, increased problem-solving skills, higher sales, increased flexibility and increased employee satisfaction, and the proper functioning of our organisation. These are all qualities that help us to meet our customers' demand for innovative services and deliver on our strategy.

Based on our strategy for D&I, we have undertaken concrete actions to facilitate the recruitment of employees from diverse backgrounds, encouraging feedback training for non-biased behaviour, and promoting communication about D&I issues. We take these actions at a number of different levels to ensure that we embed D&I across the organisation.

Diversity & inclusion strategic pillars

Pillar	Priorities	Targets
1. Build a diverse global talent pool	• Gender balance at all levels, including senior leadership • More diverse talent in recruitment • Regular talent reviews to boost under-represented groups • Globally structured approach to talent development • More mentors with regular career discussions for diverse talent • More opportunities for international mobility • More opportunities and experiences for diverse talent through assignments, trainings and presentations • Competency scorecards to detect biased decisions • Internal job vacancies open and advertised to all LP employees	30% women in top management 50% women in all roles +2% improvement in gender diversity hiring
2. Create a more flexible and inclusive work environment	• Increase flexible working arrangements, such as working from home, part-time working and flexible hours • Improve mobility through relocations and international assignments, virtual teams and locations, and 'location-free' positions	Flexible working in all sites Enhance employer branding
3. Create an inclusive culture	• Improve focus through Engagement Survey feedback • Create activity calendar to increase awareness and sensibility • Ensure all policies are non-discriminatory and support equal opportunities • Celebrate diversity (i.e. affinity groups, speakers, festival celebrations, English language teaching etc.) • Provide diversity and inclusion e-learnings to all employees	Training programme for LP Leaders Cascade culture to all staff Follow up on all feedback given

To improve gender balance at all levels, including senior leadership, we continue to work via 'Talent to the Top', a non-profit initiative that provides advice and training on gender and cultural diversity, including cross-company mentoring. As a signatory to the 'Talent to the Top' Charter, we are part of a network of companies committed to actively working to reach D&I targets, and reporting results annually, which are monitored by the Talent to the Top organisation.

In 2020, we reached our target of a minimum 30% percentage of females within the top three layers of our business for the second year running. In the year, we also created an online community of D&I representatives across all LeasePlan entities, through which they can share experiences and best practices. Global sessions are organised every two months to discuss local and global D&I plans, implement D&I surveys and review communications. In 2020, we also enrolled 12 employees in Talent to the Top's mentoring programme, linking them to an external mentor to support their development as leaders.

At the same time, we are educating our employees around issues of unconscious gender, sexual orientation and racial bias. In 2020, we ran global courses on unconscious bias and inclusion in the workplace and every every D&I representative (per country) has explained, via their local platform, about the importance of D&I and invited their colleagues to have an open discussion on the topic. In our 2020 Global Engagement Survey, we also included two questions relating to D&I to help us build a fuller picture of employee needs and experiences.

While we recognise there is still much D&I work to be done at LeasePlan, in 2020 we were immensely proud to have been ranked no. 5 for Banking and Financial Services and no. 21 overall in the Financial Times Diversity Leaders ranking of Europe's most inclusive companies.

Learning and development

As LeasePlan transitions towards a fully digital operating model, we understand that the role of many of our employees will fundamentally change, so we aim to help them develop the skills and competencies they need to thrive in today's highly competitive and disruptive digital environment.

As LeasePlan gives greater attention to new technologies and data to better serve its customers, our employees will increasingly need to focus on overseeing the delivery of new services thorough digital tools. In this context, employees will, for example, need skills to analyse data to automate or predict requests to further improve the customer experience and lower the cost of doing business. Similar skills will be required to identify new service and business opportunities with our customers and within the new Car-as-a-Service ecosystem. LeasePlan will also need people and teams that can integrate business, customer and market knowledge with data and technology knowledge, which means that the functional teams of today are likely to evolve.

To support this effort, during the pandemic, we added 10 new training modules via our Workday and LinkedIn Learning portal, as many of our employees took steps to accelerate their learning. Our Learning Management System registered almost 40,000 learning hours, of which over 10,000 hours (from almost 3,000 people) were spent on LinkedIn Learning. We also launched the NextGen Digital Summer School through which employees learnt about digital technologies and how these can be used at work. In 2021 we will roll-out the NextGen Skills Taster Programme, through which employees explore the skills that are essential for the digital age and identify which ones they need to develop. All these initiatives are part of our 'Let's get digital' programme in which we focus on skills and technologies that are shaping the future of work. The programme will run in the coming years and is open to all employees. Next to these global learning activities, we are making further development opportunities available at a local level, tailored to local needs.

Performance management

Our global performance management process is based on clear ownership and transparency. It is entirely cloud-based, and enables us to have ongoing and meaningful discussions with our employees, and to better align their goals with those of the overall business. In 2020 we started using a Management by Objectives (MBO) methodology as a pilot in five LeasePlan entities. The new methodology breaks down our company's overarching goals and KPIs into smaller portions that can be aligned to each individual's contribution. In 2021, we will use the MBO methodology as part of the variable pay goalsetting process.

Leadership journeys

Our Leadership Journeys offers participants an environment where they can reflect on who they are and what events have shaped them, enabling them to grow as people and leaders. The last Leadership Journey programme in 2020 was held prior to the lockdown in March, after which we decided to create a virtual Enneagram training consisting of eight hours of individual study and 12 hours of virtual team training, supported by an Enneagram trainer. A total of 164 employees received Enneagram training in 2020, and we are planning to extend this training to more employees in 2021 by tripling the number of trainers.

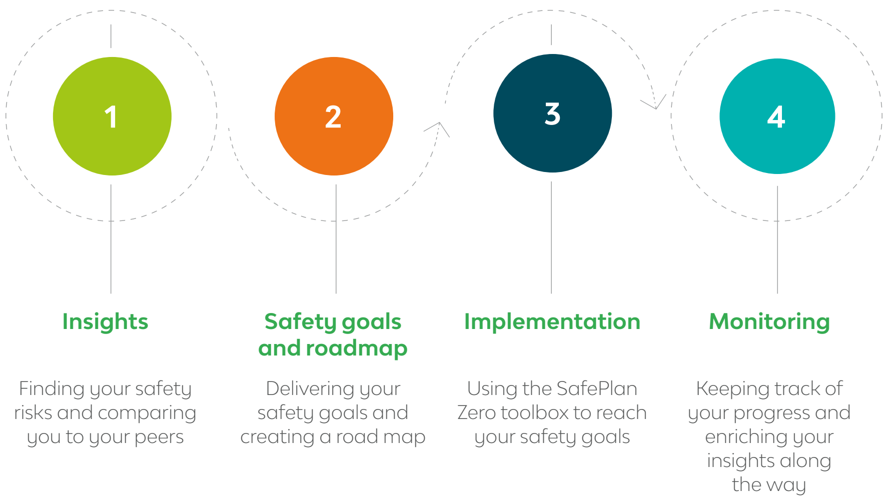
Driver safety

The United Nation's 2030 Agenda for Sustainable Development has set a target to halve the global number of deaths and injuries from road traffic accidents (goal 3, target 3.6). A further target (goal 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 to reduce road traffic injuries among our clients' and 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 2020, the Bodily Injury Rate (BIR) was 1.1% based on data from 18 European countries.

In late 2020, we launched SafePlan Zero, a new initiative to promote and facilitate safer driving behaviours among fleet managers and drivers. SafePlan Zero is an updated safety approach that comprises a toolkit, practical tools, guidance and support to achieve safety improvements. It consists of the four steps outlined below.

SafePlan Zero



The Safe Plan Zero toolkit has been designed to help fleet managers reach their safety goals through a disciplined focus on the key elements that make fleets, drivers and individual vehicles safer. These elements are as follows:

1. *Safe fleet*
- Safety reporting
- Safe fleet policy
- Safe recommendations guide
- Safety consultancy

2. *Safe driver*
- Driver safety newsletter
- Safe driving videos
- Driver risk self-assessment
- Driver training

3. *Safe vehicle*
- Vehicle safety options
- Smart technology overview
- Vehicle safety glossary

Our focus in 2021 is to invite larger corporate and international fleets to implement SafePlan Zero. Our countries will drive implementation based on local demand and, where necessary, will train account managers and fleet consultants on implementing the new approach.

Suppliers

Conducting our business according to high ethical standards is vital to retaining the trust placed in us by our stakeholders. We expect our suppliers to reflect the values and behaviours that apply within our organisation by conducting their own business activities in an ethical manner. Within this context, the LeasePlan Supplier Code of Conduct (SCoC) establishes the minimum standards we expect our suppliers to adhere to when working with, for, or on behalf of LeasePlan. Our Supplier Code of Conduct is focused on the following specific areas:

- Honesty and trust
- Respect for the law
- Human rights
- Responsibility to employees
- Environmental sustainability
- Confidentiality and intellectual property
- Privacy of individuals and data protection
- Fair competition
- Conflicts of interest
- Bribery prevention

As part of our Global Procurement Policy, all contracts in place for spend above EUR 50,000 (which account for 90% of our total spend globally) require compliance with the SCoC. Global contracts by LeasePlan Global Procurement with Global OEMs, RMT suppliers and Indirect ICT/ service contracts are actively monitored, while local entities are required to report the percentage of suppliers that have accepted the SCoC. In 2020, 90% of LeasePlan's total global spend was in compliance with our Supplier Code of Conduct.

Supply chain and Covid-19

Industry supply chains experienced some disruption during the various lockdowns. Even after factories reopened following the initial lockdown, manufacturers needed additional time to supply existing orders and have since worked hard to ramp up production in line with demand. Regular contacts with OEMs and local entities were performed to closely monitor the delays in supply chain. In addition, we focused on providing our customers with the opportunity to extend contracts for existing vehicles to safeguard their mobility needs.

The negative impact of the Covid-19 crisis on European passenger cars sales has not been reflected in BEV and PHEV sales, which continued to show significant growth in market share versus 2019. This was seen in both the wider market as well as in LeasePlan sales, assisted by specific government policies to incentivise low emission mobility, as well as ongoing emissions regulations for automakers.

Screening, monitoring and onboarding

In addition to the Supplier Code of Conduct, we aim to establish ongoing dialogues with our key suppliers in order to help drive our sustainability agenda and identify areas of collaboration. Our monitoring process currently comprises the Lexis Nexis Supplier Due Diligence screening process and reports by Dun and Bradstreet.

In 2020, we launched our NextGen Procurement digital platform in coordination with an external procurement software specialist. It includes a supplier onboarding module in which new suppliers are required to share details of their environmental, social and governance (ESG) programmes and whether they are a minority owned company. The module will eventually enable us to assess our supplier coverage with regards to ESG and to develop a supplier scorecard.

Customers

Customer and driver satisfaction is a key objective for LeasePlan and, as such, is a priority for all our employees. It is also central to our ongoing transformation to become the world's first fully digital Car-as-a-Service company.

A large part of our efforts are focused on enhancing the quality of service delivery provided by our country entities, and on further standardising and harmonising the functionality they offer to customers. We aim to provide a seamless experience to our fleet managers and driver customers, with a one-stop-shop portal that enables self-service and efficient monitoring of their vehicle or fleet.

Monitoring satisfaction

We measure and monitor customer satisfaction through a variety of tools, including the Net Promoter Score, for which we have short and long-term targets. We also analyse satisfaction trends for a more in-depth view of our performance, and conduct regular surveys with our drivers to understand how services are being delivered on an individual basis.

This analysis includes specific recommendations that form the basis for local action plans from each entity to follow up on during the year. In 2020, we continued to enhance our ability to monitor and respond effectively to feedback given via social media. At the same time, through our recently launched Voice of the Customer programme, we have been able to aggregate more customer feedback on a global level, and establish further improvement plans.

Communities

Every year, LeasePlan and its employees across 32 countries actively support a wide range of local social and community initiatives, including volunteering, staff donations and fundraisings in support of multiple social causes. These range from teaching children how to manage money, to supporting cancer research and children in need. These activities are normally carried out in partnership with established charities.

Business > Sustainability > 3. Reducing our environmental footprint

3. Reducing our environmental footprint

We understand that the resources we use across our operations have an impact on the environment. We are therefore developing policies, plans and targets to reduce our environmental impact.

31 kg/m2

Total CO_2 emissions kg/m^2 from LP buildings[47]

2020	31 kg/m²
2018	26 kg/m²

41%

Renewable energy share of total from LP buildings[49]

2020	41%
2018	19%
Target by 2022 (baseline 2018)	+10%

46 kWh

Reduction in energy use (kWh) per m² from LP buildings[48]

2020	46 kWh
2018	46 kWh
Target by 2022 (baseline 2018)	-10%

56 pts

EcoVadis score in 2020

2020	56 pts (silver)
2019	56 pts (silver)
2018	50 pts (silver)
Target	Gold

We have developed clear guidelines to help us standardise our sustainability activities across the company. Our guidelines cover the following areas:

- New buildings & office refurbishment: Make sustainability part of the decision-making criteria
- Energy supply: Record usage and select renewable alternatives
- Appliances: Choose more energy-efficient options, and ensure their proper use and disposal
- Lighting: Replace with LED or T5 tubes and ensure lights are only used when needed
- Heating & air conditioning: Select more energy efficient options and take greater care in their use
- Waste: Reduce the use of disposable products and recycle and reuse waste where possible
- Procuring products & services: Make sustainability part of the decision-making process

47. 2019 figures based on (2018 consumption) data from 22 entities. 2020 figures (based on 2019 consumption) from 30 entities (the 2019 like-for-like comparison of 22 baseline countries is 24 kg CO_2/m²). The related (2019) Scope 2 CO_2 emissions of these 30 countries was 11,673 tonnes. Figures to be updated (2020 consumption data) as per CDP submission in July 2021.

48. 2019 figures based on (2018 consumption) data from 22 entities. 2020 figures (based on 2019 consumption) represent a like-for-like comparison (22 baseline countries). 2019 data is now available for 30 countries, representing a energy use of 70 kWh/m². Figures to be updated (2020 consumption data) as per CDP submission in July 2021.

49. 2020 figures (2019 consumption) covers 30 countries. To be updated (2020 consumption data) as per CDP submission in July 2021.

We have also begun to globally assess our energy consumption with a view to establishing accurate baseline metrics and transitioning to suppliers of renewable energy wherever possible. We have established the following company-wide targets:

- Reduce average energy usage in LP buildings by 10% between 2019 and 2022 compared to 2018 levels
- Increase the share of renewable energy used by 10% between 2019 and 2022 compared to 2018 levels

To achieve these targets, we monitor and assess our electricity use in kwh per annum relative to our building space in square metres, and the overall share of energy consumption that comes from renewable sources.

In 2021 we will update our strategy for reducing our environmental footprint.

Sustainability reporting

We continue to work to expand the breadth and quality of our non-financial disclosures, providing ever-greater transparency to our stakeholders while meeting the disclosure requirements of our regulators. Below we outline our process for determining materiality, governing sustainability activities and our reporting on the non-financial risks and opportunities we face as an organisation. For further information, please also refer to the Risk management section on *page 78*.

Charting our journey

Our LeasePlan Annual Report 2020 continues to integrate our financial and non-financial disclosures, as we work towards full implementation of the guidelines of the International Integrated Reporting Council's framework for Integrated Reporting, focusing on setting new targets and developing roadmaps to achieve them.

In 2021, LeasePlan will update its sustainability strategy to further raise the bar on our climate-related targets and disclosures, and improve the information we provide regarding the impact we have on society. In particular, we will set targets for further reductions in our Scope 1, 2 and 3 emissions, and provide defined pathways towards our goals, based on the Science Based Targets initiative (SBTi). Other actions will include continuing to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and working to improve the level and depth of our contributions to the Carbon Disclosure Project (CDP), in which we have participated since 2010, and to EcoVadis, the sustainability ratings and scorecard company that helps procurement teams monitor CSR and ESG practices in the supply chain.

In addition to the expectations of our stakeholders, as a licensed bank, Significant Institution (SI) and Public Interest Entity (PIE), LeasePlan is subject to extensive regulatory requirements. The ECB, LeasePlan's supervisory regulator since 1 January 2021, has recently announced that, among its priorities for 2021, it will focus its supervisory activity on banks' compliance with the 'ECB Guide on climate-related and environmental risks'.

Limited assurance on non-financial indicators

For the second year running, our external auditors have provided limited assurance on several key non-financial KPIs (*see pages 60 and 63*). From the initial four KPIs that were assured last year, in 2020, we have added a fifth indicator for assurance. These indicators are defined below:

New EV orders: The number represents the percentage of new orders from a client for an Electric Vehicle (EV). An EV is defined as an full-electric vehicle (BEV), a Plug-in Hybrid Vehicle (PHEV) or an Fuel Cell Electric Vehicle (FCEV). No (mild) hybrids are included. A vehicle is defined as a car or a light commercial van.

Business > Sustainability > 3. Reducing our environmental footprint

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.

Employee engagement plus score: The employee engagement plus score is determined through a weighted average of global employee responses to a 50-question survey about the following topics: joy and pride in work; energy from work and feeling fit; focus on customer expectations; support for company objectives; and intention to stay and likelihood to recommend LeasePlan as a place to work. The 'engagement plus score' is a value between 0 and 100.

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. The 30% target was set in collaboration with the Talent to the Top initiative, a non-profit foundation that provides advice and training on gender and cultural diversity.

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 which are urgently needed to shift the world onto a sustainable and resilient path[50]. 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'[51].

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

In 2021, LeasePlan will solidify 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, we aim to advance broader societal goals and the SDGs.

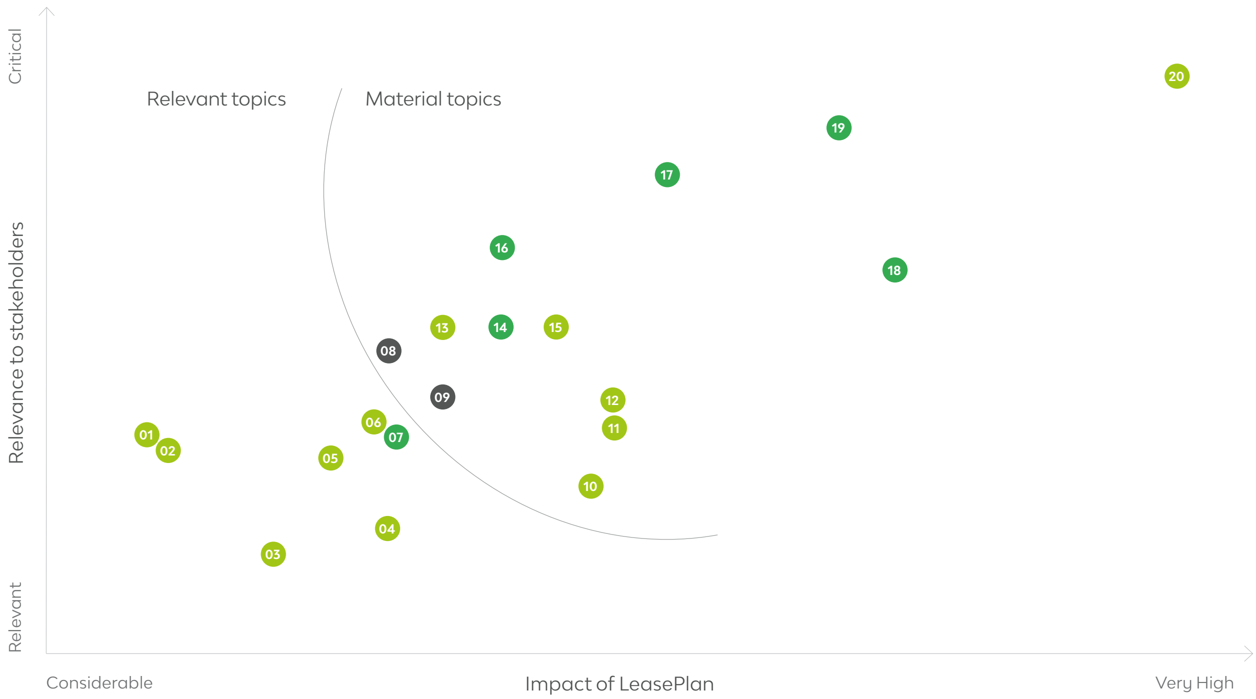
50. www.un.org/sustainabledevelopment/sustainable-development-goals
51. www.un.org/sustainabledevelopment/cities

Determining materiality

We assess materiality to better understand the topics our stakeholders deem relevant, where we can have the most impact and how we can enhance our existing efforts. We create value for customers by providing integrated mobility solutions; we offer our employees opportunities for growth and development, as well as competitive wages; our investors and lenders receive financial benefits through their investments in us; and we create value for society by promoting the uptake of newer, cleaner vehicles in our funded fleet.

In 2020, we conducted a formal materiality exercise with all LeasePlan employees (253 responses), 15 suppliers, 34 customers (via account managers) and, for the first time, included input from our investors (seven responses), to validate our sustainability agenda and ensure we appropriately address the topics our stakeholders deem most relevant.

Materiality matrix LeasePlan



Economic sustainability – making our company future proof
Social & environmental sustainability
Business ethics & governance

Topics	Pages
01 Health & wellbeing	63-71
02 Circular economy	72, 84
03 Societal wellbeing	63-71
04 Sustainable finance	20, 55, 89
05 LeasePlan's own carbon footprint	61, 72
06 Employee development	68
07 Partnerships & co-creation in the industry	46, 61, 88

Topics	Pages
08 Business ethics & human rights	14, 64, 65, 58, 70, 74, 84, 85
09 Privacy & data security	90-95
10 Diversity & inclusion	67, 68
11 Sustainable procurement	70, 71, 84, 85
12 Customer education	61
13 Driver safety	69, 70
14 Sustainable growth	50-56

Topics	Pages
15 Employee engagement and satisfaction	65-69
16 Innovative mobility products & services	61
17 Value for money	46,47
18 Digital solutions	43, 46, 47, 65
19 Customer satisfaction	71
20 Low-emission mobility	59-61

The matrix (*page 75*) shows the 20 highest scoring topics that are being addressed in our reporting going forward. It should be noted that, as topics are positioned relative to one another, all 20 topics are considered to be highly relevant to LeasePlan and are addressed as such.

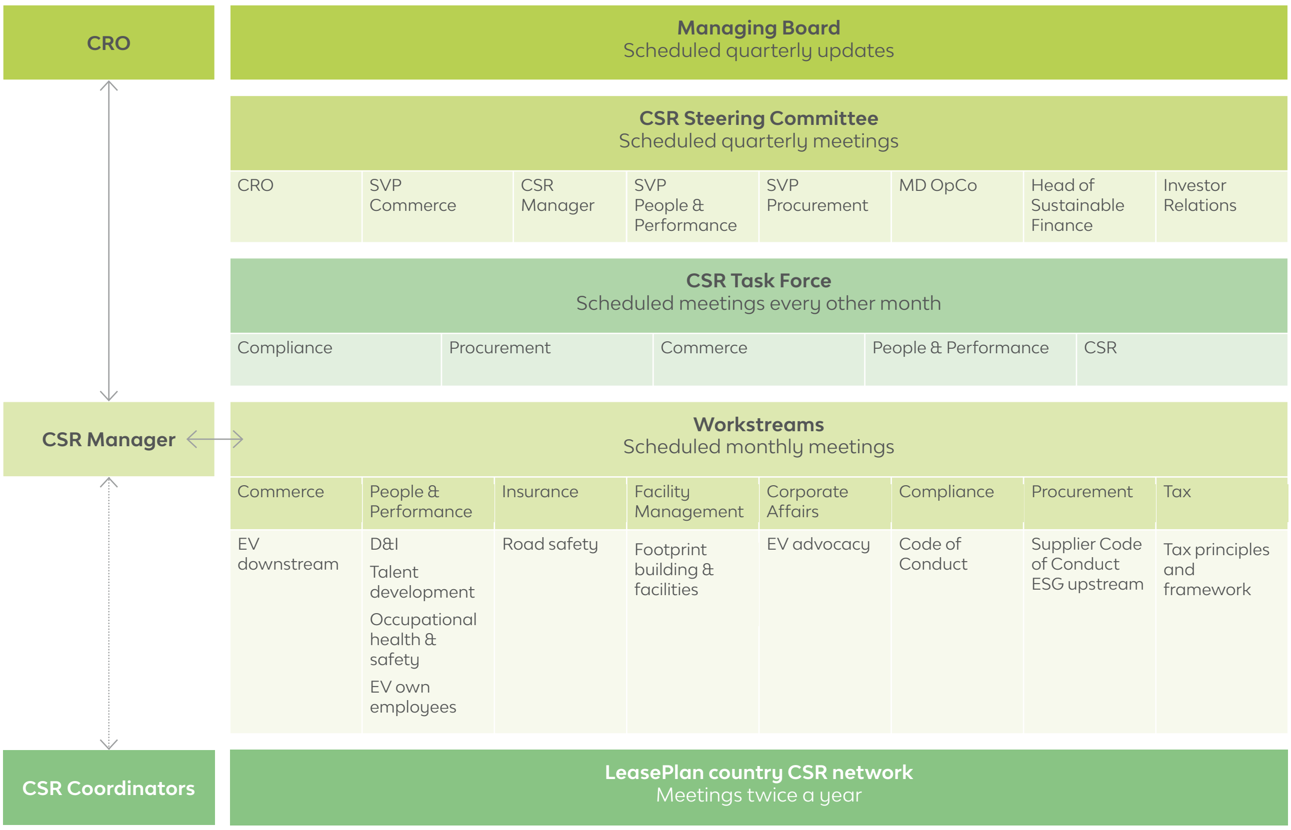
Low-emission mobility has continued to rank at the top of the list of our stakeholder priorities, which underlines the relevance of our strategic direction in this field. Digital solutions, which is a new material topic in this year's assessment, also classifies as one of the most relevant topics for our stakeholders and an area where LeasePlan can create an impact. Similarly, Employee engagement & satisfaction is also a new addition to the list of material topics compared to the 2018 materiality matrix. Although still relevant to LeasePlan and its stakeholders, Partnerships & co-creation in the industry is no longer considered material, while Privacy & data security remains a material topic for LeasePlan, although ranking lower on both axes compared to the previous materiality assessment.

The material topics will be the basis of our future reporting and updates to our sustainability strategy. In addition, we are currently investigating if the Global Reporting Initiative (GRI) framework will be used as a reference for our sustainability reporting.

Governance and management

In 2020, we operated a dedicated Corporate Social Responsibility (CSR) governance structure, which reported to the Managing Board. It was responsible for coordinating the roll-out of our sustainability strategy and for making sure that material topics are adequately addressed. It also supported various business areas in defining action plans, monitoring progress and reporting on agreed reporting indicators. In 2021, LeasePlan will review its sustainability governance structure and update its sustainability strategy with the support of third-party specialists to drive LeasePlan's sustainability strategy in the years ahead.

CSR governance structure



Risk management

We are committed to ensuring all our activities are executed within a defined risk management framework that has been approved by the Managing and Supervisory Boards

Risk management

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LeasePlan is a Car-as-a-Service company that also operates a retail deposit bank in the Netherlands and Germany, that was regulated by the Dutch National Bank (DNB) in 2020. As of 1 January 2021, LeasePlan is classified as a significant institution[52] and will fall under supervisory control of the European Central Bank.

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 or residual value risk). This constitutes the main difference between our risk profile and most other financial institutions' risk profiles not active in the leasing segment.

LeasePlan's risk management framework aims to properly identify and quantify the frequency and consequences of risk to enable management to evaluate and balance risks and returns relating to our business operations. In doing so, it supports our entities in the realisation of their targets and our overall approach to managing risk in an evolving business environment.

As its reference model, the LeasePlan framework applies the principles of the Enterprise Risk Management (ERM) framework and the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Risk management and control are closely linked to our strategic objectives as well as to compliance with applicable regulation (CRR). We consider controlled and balanced risk taking to be a key element in driving our strategy.

Lines of defence

Our risk governance is based on the three lines of defence model

This model distinguishes between functions that own and manage risks (first line), functions that oversee and advise on risk management practices (second line) and functions that provide internal assurance (third line). The following overview outlines the composition and responsibilities of the key parties involved in executing the three lines of defence within the Group:

First line

Local and corporate management are considered the first line of defence. They have full ownership of all risks at entity level and are responsible for complying with Group policies and standards and for the management of risks encountered while performing the business. Risk management activities include identifying and assessing potential risks, and taking steps to mitigate negative influences in order to adhere to the applicable risk limits and tolerance levels. Furthermore, local and corporate management are responsible for completing and accurately registering all risks, potential incidents and threats in a timely fashion. This includes maintaining a comprehensive risk management system that covers all risks inherent to the business.

Our Strategic Finance department is responsible for overall liquidity management and the funding strategy. Strategic Finance is considered a first line of defence and as such is responsible for risk management as described above.

52. *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*

Second line

Group Risk and the independent risk function at entity level are jointly referred to as the Risk Function. They challenge and create awareness around risk within LeasePlan and are responsible for coordinating and executing the Risk Management Cycle and the Risk Decision Framework. Group Risk ensures the Managing Board and the Supervisory Board are made aware of all material risk developments. Within LeasePlan, the risk types as included in the Risk Type Universe are considered on an integrated basis. The Risk Function is responsible for aggregating these risk types and providing an integral view. Local management, in close consultation with our Group Risk department and our Group Privacy and Compliance department, ensures the set-up of an independent risk function and an independent privacy compliance function at entity level. These functions are considered as part of the second line of defence, that coordinate, oversee and challenge the execution, management, control and reporting of risks. The Risk Function, which cooperates with all relevant disciplines within the Group, is independent from the business functions, and headed by SVP Risk. At Managing Board level the responsibilities for LeasePlan's risk and compliance functions – in the absence of a Chief Risk Officer – were ad interim entrusted to the Chief Financial Officer. As of 23 December 2020 a new Chief Risk Officer has been appointed restoring formal independence of the Risk Function within the Managing Board.

Third line

Group Audit provides internal audit services and is the third line of defence. It conducts audits of LeasePlan's activities and provides independent assurance by assessing the effectiveness of governance, risk management and internal control processes. It also reports its findings to the Managing Board and provides quarterly updates to the Supervisory Board Audit Committee. In addition to the internal lines of defence, LeasePlan also considers the external auditor and regulatory supervisors as components of the overall defence framework.

The three lines of defence

1st line of defence	2nd line of defence	3rd line of defence
Local & Corporate Management Strategic Finance	Risk Management Privacy & Compliance	Group Audit

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 Appetite Statement (RAS) represents the overall risk LeasePlan is willing to assume in order to achieve its strategic objectives, defined by quantitative and/or qualitative metrics. Secondly, risk appetite is set for the defined risk types as determined in the risk strategy, by using specific risk tolerance metrics across the risk universe. Subsequently, local entities are assigned local limits that are in line with the Group's overall risk appetite and commensurate with the local entity's annual plan.

We manage our risk appetite based on the following pillars:

- Long-term debt rating (stand-alone);
- Financial return on risk-adjusted capital (i.e. economic return);
- Diversified share of funding layers.

An institution's target credit rating is an indication of the overall risk appetite a company may have and the level of capital it will need to hold. In addition, a specific risk appetite has been set for each underlying risk category. The Supervisory Board approves LeasePlan's risk appetite annually based on the recommendation of the Risk Committee, and decides on any changes required throughout the year.

Depending on the risk metric, compliance with the Risk Appetite Statement is monitored periodically and non-compliance is reported to the risk committees, the Managing Board and the Risk Committee of the Supervisory Board. The principal financial risks inherent to our business activities are discussed further in the Financial risk management section of the financial statements on *page 150*.

Principal risks and uncertainties

We recognise ten main risk areas, which can be broadly divided into two categories: financial and non-financial risks.

Financial risks

- Asset risk
- Credit risk
- Treasury risk
- Motor insurance risk

Non-financial risks

- Operational risk
- Information risk
- Strategic risk
- Reputational risk
- Compliance risk
- Legal risk

Treasury risk is further broken down into risks related to liquidity, interest and currency.

Based on our ten main risk areas, we have summarised material risks and uncertainties that are relevant to the expectations of LeasePlan's continuity for the period of 12 months after the preparation 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 our business, financial condition and results of 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 this regulation could have an impact on our regulatory capital requirement, influencing our business, financial condition, results of operations and liquidity.
- High number of current projects and initiatives necessary to implement our transition to a more digital business model, next to a number of regulatory 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.

LeasePlan believes these are the risk categories 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 150*.

We have various projects which are focused on managing or mitigating each of these risk categories and related subcategories. For asset risk, mitigants include interim adjustments and end-of contract fees, as well as multi-channel and cross-border sales. For operational risk, on data management, information security and internal and external fraud 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 and default monitoring.

In addition to the above risks, we have begun assessing the risks to LeasePlan and its stakeholders that are associated with the transition to zero emissions mobility (and other climate-related risks). To this end, we began to follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) set up by the Financial Stability Board (FSB).

Strategic risk

Strategic risk is defined as the current or prospective risk to earnings and capital arising from changes in the business environment, lack of responsiveness to changes in the business environment from adverse business decisions or improper implementation of decisions.

The Group recognises three types of strategic risk:

- Macro environment risks – the current or prospective risk to earnings and capital arising from uncontrollable external forces affecting the Group;
- Micro environment risks – the current or prospective risk to earnings and capital arising from factors or elements directly in the Group's immediate area of operations affecting its performance and decision-making processes;
- Corporate governance risk – the current or prospective risk to earnings and capital arising from the manner in which the Group's governance structure is set, communicated, implemented and reviewed.

Strategic risk management structure and organisation

As part of the risk strategy process, the Group identifies and assesses the risks it is exposed to on an annual basis. This strategic risk assessment considers the current business, external trends and emerging developments. Furthermore, the risk is assessed considering the possible impact for the upcoming 12 months.

Senior leadership is aware of the effects that potential changes in the economy, consumer behaviour and technology can have on the future of the Group's business. Although the future impact and development of many of these forces cannot as yet be quantified, senior leadership is taking focused actions as articulated in its corporate strategy to prepare the company for the future.

Information risk

Information risk definition

LeasePlan defines information risk as "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". Information risk is to support the overall vision and strategy of the Risk Function by continuing to support risk taking in a consistent and transparent manner, so that the business remains in control over the exposure that fits its (information) risk appetite.

Information risk management structure and organisation

As defined in our Risk Charter, the information risk function is defined at both Group as well as entity level. Both are part of the 2nd line of defence. Where 1st line of defence is responsible for the implementation of policies and standards, the local 2nd line information risk (or Information Security Officers) acts as the counterpart of that 1st line, in order to support secure implementation, facilitate the risk management processes, and to challenge 1st line's decisions. The Corporate Information Risk Management team (Corp IRM) oversees the work of local ISOs, and maintains the information risk management framework, which includes (among others) governance, policies, standards, processes, tooling, culture, risk universe, and the (information) risk & controls matrix. In short: Corp IRM defines the rules of the game, and 1st line operations and IT have to apply those how they see fit best within risk appetite, supported and challenged by their local 2nd line Information Security Officers.

Information risk management policy

The Group has a policy house, a virtual cabinet with all Managing Board endorsed policies, standards and guidelines that apply to all Group entities. This includes a policy and standards for Information Risk, which have to be read and understood by all employees and contingent workers. Our Information Risk Management Standard is based on ISO 27002 and COBIT frameworks.

Information risk measurement

All information risks and security incidents need to be registered in our Governance, Risk and Compliance (GRC) tool. Any financial impact of security incidents is considered in the overall operational risk results.

Furthermore, there is a regular control test cycle where the key controls for information risks are tested on design and operating effectiveness, as well as on COBIT maturity level. Any deviations are addressed in Security Action Plans, which describe if, how and by when deviations will be remediated. A choice to not remediate has to be accepted by the appropriate risk owner.

Quantification of risks is based on a standardised business impact reference table, which also includes qualifiers for impact that is more difficult to measure in a monetary value.

As the attack footprint and threat landscape of LeasePlan are continuously evolving, so are LeasePlan's security stance and our capabilities to identify, protect, detect, respond and recover. These are constantly being optimised and matured even further, striving for maximum efficiency and effectivity in order 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.

Other risks

For reputation risk, legal risk and compliance risk, reference is made to the Group's Pillar 3 report. A general reference is made to the LeasePlan Group's Pillar 3 report for additional risk related disclosures in accordance with the disclosure requirements of Regulation (EU) 575/2013 part eight.

Covid-19

From the beginning of the pandemic LeasePlan received customer requests for payment relief measures which were assessed and granted on a case-by-case basis. To date, most customers are on track with their adjusted payment schedule. LeasePlan also observed an increase in the number of defaults compared to 2019. Full year 2020 impairments totalled EUR 76 million (FY2019: EUR 31 million) resulting in a net addition to the provision of 36 bps (FY2019: 14bps).

In 2020, the Covid-19 pandemic caused substantial disruptions in the used-car markets across Europe from March to May. Most of the markets were effectively shut due to various lockdown measures and some experienced sharp reduction in demand level and prices for used cars. From June 2020, the used-car markets recovered faster than expected to pre-Covid levels as B2B and B2C business activities resumed. Later in the year, during November and December, a second wave of lockdown measures again resulted in temporary closures of CarNext.com stores, causing lower business activities. However, during this period the used-car sales value remained stable.

As of 31 December 2020, LeasePlan reported operational risk losses relating to Covid-19, with a total net impact of EUR 286k.

Total Risk Exposure Amount (TREA)

To determine risk-weighting, the Group applies the Advanced Internal Ratings Based (AIRB) approach for the corporate portfolio, the trade receivables and the retail portfolios 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 which prescribes fixed percentages for risk weighting depending on characteristics and conditions of the exposure. For the calculation of risk-weighting of other balance sheet and off-balance sheet exposures, the standardised approaches as described in the CRR/CRD IV framework are used.

As of the 1 January 2021 we have aligned the definition of the term 'default' applied by us with the CRR and the EBA guidelines and RTS. We have updated related policies, including the processes and procedures in place for all our local entities. We have also updated our AIRB models as a result of this new definition of default. We expect to receive approval for the implementation of these models in 2021.

Due to the fact that we surpassed a balance sheet total of EUR 30 billion at the regulatory consolidated level, we are classified as a significant institution and therefore fall under direct supervisory control of the European Central Bank as from 1 January 2021.

LeasePlan met the liquidity survival horizon at a minimum of nine months at all times. Prudent liquidity management and controls are in place to ensure compliance with regulatory requirements. Based on the 2020 Internal Liquidity Adequacy Assessment Process (ILAAP), we concluded that we are adequately funded and that our liquidity buffer is more than sufficient to meet internal and prudential requirements.

Highlights 2020

- Prudential capital management and controls are in place to ensure compliance with regulatory requirements. Based on the 2020 Internal Capital Adequacy Assessment Process (ICAAP), we concluded that we are adequately capitalised. In 2020, the Total Risk Exposure Amount increased by EUR 1,351 million to EUR 19,735 million. The Common Equity Tier 1 capital increased in 2020 by EUR 158 million to EUR 3,301 million resulting in a Common Equity Tier 1 ratio at year-end of 16.7%.
- We have maintained a solid platform of diversified funding sources that include financing through debt capital markets, securitisation, bank credit lines and our LeasePlan internet savings bank in the Netherlands and Germany. With this as an underlying strategy, we ensured the availability of funding to meet our ongoing liquidity needs and match our asset profile. Our liquidity position complied with CRR/CRD IV requirements.
- We have updated our AIRB models and are currently awaiting approval for these models.
- In accordance with CRR article 431.3, LeasePlan published Semi-annual Pillar 3 Report in 2020, based on the EBA Regulatory disclosure guidelines[53].

The DNB performed an assessment of the maturity level of LeasePlan's risk management organisation. Focus has been on the design and effectiveness of the risk management framework and on the internal governance of the Risk Control Function. In conducting the assessment, the team focused on the corporate risk management function of LeasePlan Corporation N.V. and the entity risk management function of LeasePlan Nederland N.V. Relevant EU and national regulations (in particular Directive 2013/36/EU, Directive 2013/36/EU, EBA/GL/2017/11 as well as the Dutch Act on Financial Supervision) have served as the regulatory basis and legal grounds for the assessment. In summary, the assessment emphasised the need to further enhance the internal control framework and renewal of underlying systems to support the control framework to match LeasePlan's size and complexity. The report and all findings have been discussed with (the Risk Committee of) the Supervisory Board and the implementation of the enhancements will start in 2021.

To see 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*

53. The frequency and scope of Pillar 3 disclosures is determined based on guidelines EBA/GL/2014/14 and EBA/GL/2016/11

Key non-financial risks

Within our overall risk management categories, we recognise a number of key non-financial risks pertaining to our supply chain, environmental impact, employees, and social issues such as labour rights, human rights and corruption. These risks, as well as others that could emerge in the future, could hinder the company in achieving its strategic and financial objectives. Below we outline some of the most material non-financial risks to our business and performance, along with the main steps we have taken to manage them, while on *page 85*, we further consider our main climate-related risks and opportunities.

Supply chain

Risks	Response
We rely on third-party suppliers to provide, acquire and service our fleet. As a result, we may suffer from adverse developments resulting from the quality of their products and services of our suppliers, and be impacted by environmental and social risks in the supply chain. These risks could have a material adverse effect on our reputation, business, financial condition and results of operations.	We expect our suppliers to abide by the standards of corporate responsibility that are outlined in our Supplier Code of Conduct (SCoC) when working with, for, or on behalf of LeasePlan. Although the SCoC cannot address every conceivable situation, it does contain the main principles of ethical business conduct with regards to environmental and social practices. In addition to the Supplier Code of Conduct, we aim to establish ongoing dialogues with our key suppliers in order to help drive our sustainability agenda and identify areas of collaboration. Our monitoring process currently comprises the Lexis Nexis Supplier Due Diligence screening process and reports by Dun and Bradstreet. In 2020, we launched our Next Gen Procurement digital platform. This includes a supplier onboarding module in which new suppliers are required to share details of their environmental, social and governance (ESG) programmes and whether they are a minority owner company. The module will eventually enable us to assess our supplier coverage with regards to ESG and to develop a supplier scorecard.
European regulators are favouring ever stricter carbon limits on vehicle tailpipe emissions. In light of the new EU Climate Law, these are likely to become even stricter in the foreseeable future. These laws, in addition to the growing number of local low-emission zones being implemented within urban areas, could result in a lower demand for vehicles with diesel and petrol powertrains in both the primary and second-hand market.	Due to the relatively fast turnover of our fleet (normal contract duration is 3-4 years), we ensure that we have the latest and cleanest technology in our fleet. For example, the diesels in our fleet continue to be limited to the latest and cleanest diesel Euro VI models, which are not currently subject to any legislative restrictions and still offer customers cost of ownership benefits relative to other powertrains. In addition, in 2020, we saw the proportion of diesel vehicles in our funded fleet continue to decline to 61% in 2020 from 67% in 2019. Although this shift away from diesel has partly led to a small increase in the portion of petrol vehicles in the fleet, low and zero emission electric vehicles are now the fastest growing vehicle type within our funded fleet, with new orders increasing to 14.9% in 2020, compared to 7.4% in 2019.
Electric vehicle batteries require certain materials, especially cobalt and lithium, that have been associated with poor mining practices and human rights abuses. A failure to ensure satisfactory labour conditions and protect human rights in this supply chain could materially affect our own demand and our customers' demand for electric vehicles and therefore inhibit our ability to offer sustainable electric solutions.	Through our participation in the Global Battery Alliance, convened by the World Economic Forum (we are a founding member of its Battery Passport Initiative), and in cooperation with key supply chain participants, we are in discussion on how best to ensure human rights abuses do not occur going forward, and that sustainable mining practices and traceability are embedded in battery manufacture.

Business > Risk management

Environmental

Risks	Response
Failure to improve the environmental sustainability of our products and services to our customers, and to reduce the environmental impact of our overall business, could have a materially adverse effect on our reputation, business, financial condition and results. N.B. The main risks and opportunities we see associated with climate change and the long-term transition of our fleet to electric vehicles are outlined in our Task Force on Climate-related Financial Disclosures (TCFD) statement on *page 87*.	We actively promote cleaner, low-emission vehicles and the infrastructure required to make them a viable option for our customers and employees. In this context, we have set ourselves the goal of achieving net zero tailpipe CO_2 emissions from our funded fleet by 2030 and have developed an industry leadership position in the transition to zero-emission vehicles.
There is a potential reputational risk of failing to reduce the environmental impact of our office buildings globally.	We acknowledge the need to reduce the environmental footprint of LeasePlan buildings. We are in the process of developing global policies, plans and targets that will help us reduce our environmental impact, and have already established clear guidelines to help us standardise our sustainability activities across the company. To measure our progress in this area, we have begun reporting our CO_2 emissions, energy usage and share of renewable energy from LeasePlan buildings on an annual basis.

Social

Risks	Response
Due to the nature of LeasePlan's business, LeasePlan faces relatively low social risks within its core operations (outside the supply chain). Even so, potential risk areas such as community relations, human rights, bribery and corruption could have an impact on our reputation, business, financial condition and results.	We recognise our responsibility to apply high standards in our personal conduct and day-to-day business decisions. We therefore work to ensure our values and ethics are embedded in our behaviour, processes and actions. Our values and ethics are defined by the LeasePlan Code of Conduct, which also explains the way we deal with each other, customers, suppliers, society at large, government authorities, regulators, investors and business partners. All LeasePlan employees agree to comply with the Code of Conduct through an annual declaration process. We have also implemented our Supplier Code of Conduct to help ensure that high ethical standards are maintained across our supply chain. Furthermore, we recognise that human rights are fundamental and universal and aim to respect human rights, as described in the United Nations' Universal Declaration of Human Rights and the principles of the International Labour Organization. We therefore 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 our Supplier Code of Conduct.

Social continued

Risks	Response
Bribery is considered a compliance risk and is determined by different risk factors. The first factor is geography or country risk, which we determine through Transparency International's Corruption Perception Index (CPI), which measures perceptions of bribery and corruption in each country, and the World Bank Governance Indicators. The second risk factor is sector risk, whereby certain business sectors are associated with higher levels of bribery risk than others. Bribery risks also increase where payments (not only financial) are required. For example, charitable donations or sponsorships, sign-on bonuses, discounts, rebates, and kickback payments, hiring, gifts and entertainment. In addition, activities with high value or critical significance and complexity can create an incentive for bribery.	Bribery is considered one of our top compliance risks, and we perform a bi-annual compliance risk assessment globally in which inherent and residual risks are taken into account. To mitigate bribery risks, we have a standard set of measures (e.g. anti-bribery clauses in our contracts) and an ongoing Anti Bribery programme. Where the bribery risk is deemed higher, we take additional measures. All employees sign our Code of Conduct, which features anti-bribery clauses, and each year they are asked to declare that they have acted in line with the Code of Conduct. Next to that, all new joiners have to follow and successfully pass an anti-bribery e-learning. Bribery risk was also one of the compliance risks examined as part of the Systematic Integrity Risk Assessment (SIRA) in 2020. In addition, LeasePlan reviewed and merged the three compliance policies relating to bribery risk – the Anti-Bribery and Anti-Corruption Policy, the Conflicts of Interest Policy, and the Outside Positions Policy – into a single policy that is easier to apply, implement and understand. LeasePlan also conducted numerous awareness/ monitoring initiatives, both locally and initiated centrally, to ensure that everyone continues to be strongly focused on preventing bribery. As one of LeasePlan's top compliance risks, our Anti-Bribery programme will continue to be a major focus area in 2021.

Employees

Risks	Response
Our operations are to a significant extent dependent on our ability to attract and retain key management personnel and high-quality staff, including highly skilled and qualified personnel with specialised know-how relevant for our business such as IT. Should we encounter any difficulty in attracting and retaining senior management and other key personnel with the appropriate level of experience, knowledge and relationships, this may have a material adverse effect on our business, financial condition and results of operations.	We recognise that the sustainability of our business comes directly from the talents and efforts of our people. As a result, in addition to recognising their fundamental human rights, we place emphasis on attracting and retaining talented personnel and invest in extensive training and development across our operations for our employees. The LeasePlan People Strategy aims to achieve this by giving our people opportunities to develop their potential and creating a tolerant and inclusive environment in which they can thrive.

Task Force on Climate-related Financial Disclosures (TCFD)

LeasePlan supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD or Task Force), which was set up in 2015 by the Financial Stability Board. These recommendations outline the way in which companies can disclose information on how they oversee and manage the main risks and opportunities associated with climate change.

The Task Force divides climate-related risks into two major categories: i) risks related to the transition to a lower-carbon economy and; ii) risks related to the physical impacts of climate change. Given the nature of our business, many of the risks we face in our overall transition to a low-carbon economy, and the mitigation measures we implement as a result, are directly linked to our strategic commitment to shift towards low and zero emission vehicles in our funded fleet. For example, we have a risk appetite limit for the concentration of diesel vehicles in our portfolio. Although we do not currently identify these risks as climate risks on a stand-alone basis, they are managed within our main Financial, Operational, Strategic and Other risk categories. By contrast, potential physical risks resulting from changing weather patterns and severe weather events are not monitored. However, LeasePlan Insurance has started to incorporate climate risk (i.e. physical risk) into its 'Own Risk & Solvency Assessment', as the risk of flooding, wildfires, storms or hail could make it more difficult for LeasePlan to offer affordable insurance protection through its motor catastrophe insurance.

In this statement, we outline some of the associated risks and opportunities we see in our shift towards low and zero emissions vehicles in our funded fleet, from a qualitative business perspective. We also describe the governance structures that identify, assess and manage these risks, as well as metrics and targets that are relevant to our transition. For more information on our Sustainability Strategy, please see *page 58* of this report.

Governance

Group Risk is responsible for the oversight and management of all risks and aims to ensure the Managing Board has an integral view of risks that are inherent to the execution of our strategy. Although climate-related and environmental risk drivers are not explicitly integrated in our Risk Appetite statement, the materiality assessment of risks, or in the aggregated data used in our internal reporting, Group Risk plans to incorporate these in the near future. In late 2020, LeasePlan appointed an external party to perform a comprehensive gap analysis of its practices against the guide on climate-related and environmental risks of the European Central Bank. Going forward, we will address these risks as part of an updated ESG strategy.

LeasePlan also operates a dedicated Corporate Social Responsibility (CSR) governance structure that reports to the Managing Board. CSR is responsible for coordinating the roll-out of our sustainability strategy, and for making sure our material topics are adequately addressed. Furthermore, the risks and opportunities arising from our transition to EVs, such as new products and services, are assessed by a cross-functional Product Approval and Review Committee (PARC). The PARC oversees the development of new offerings and reviews our existing ones in accordance with our commercial strategy, the interest of our customers, our risk appetite, policies and applicable laws and regulations.

Strategy

We are taking a leading role in our industry's transition to electric driving. We actively support the effective implementation of the Paris Agreement of 2016 and UN Sustainable Development Goals, and are committed to achieving net zero tailpipe emissions from our funded fleet by 2030 (Scopes 1 and 3 emissions).

Our risk assessments do not, at present, use climate-related and environmental scenario analysis for the purpose of strategy setting. Instead, they consider the overall resilience of our strategy and ability to deliver on our goal to provide cleaner, low-emission vehicles, as well as the infrastructure required to make them an attractive option for our customers and employees. We consider the following three main areas in this transition: business model, market dynamics and technology. These areas are outlined in more detail on *page 88*.

Business model

The transition of our fleet to electric vehicles could impact aspects of our business model, which is predominantly based on the procurement, management and disposal of ICE vehicles. In some cases, the profitability of parts of our value chain could be affected, both adversely and to our benefit. We consider these impacts on our business model based on the data we receive from country entities where adoption rates are highest, namely, Norway and the Netherlands.

For example, revenues from our Repair, Maintenance and Tyres (RMT) business may be impacted by a higher portion of electric and hybrid vehicles – which generally have lower RMT services costs compared to ICE vehicles – and the extent to which we qualify for supplier rebates and bonuses. The provision of EVs also entails new customer requirements for home and office charging, for which we will need to develop additional services.

We are continually assessing the impact of EVs on our business model to determine how to develop our service offering, protect our profitability and create new revenue streams. Where necessary, we redesign our propositions based on our experiences in leading EV countries. In those markets, we are advancing our understanding of how certain impacts may materialise or change over time, what best practices we can adopt to manage them, and the implications they may have on our pricing, propositions and positioning.

Our business model may also be adversely affected by physical impacts of climate change, including extreme weather conditions, although we do not currently monitor these risks. For example, an increased likelihood of flooding, wildfires, storms or hail in our markets could make it more difficult for LeasePlan to offer affordable insurance protection and may impact our pricing of these products. Such events could also affect our RMT services if more vehicles in our fleet are damaged or require more frequent servicing as a result of changing weather patterns. Finally, extreme weather conditions could impact our business continuity at certain locations, if our employees are unable to reach their places of work or if office locations and Delivery Stores were forced to shut. It should be noted however, that as result of the Covid-19 pandemic and lockdown measures implemented in 2020, we successfully facilitated home working for our 8,500 employees in 32 countries, and accelerated the roll out of new digital tools and platforms that our people need to stay connected to our customers and with each other.

Beyond these risks, we view the global shift to low and zero emission drivetrains as a strong opportunity to grow our market presence and strengthen our position. We are a first mover in our industry, offering end-to-end solutions that include the vehicle, implementation advice, services and charging. Our approach is supported by the fact that we are the only agile and independent Car-as-a-Service company of scale, enabling us to invest in and develop innovative service offerings without conflicting priorities. In 2020 we targeted customers in 16 countries with full package EV solutions that include charging options, as well as the processes and IT platforms necessary to facilitate EV fleet management.

As demand rises for EVs, we anticipate the need for new, related services. For example, in 2020 we began offering green electricity products to our drivers' homes, via LeasePlan Energy, a smart charging solution for EV drivers offered together with joint venture partner PowerD (also see *page 62*). Other longer-term commercial opportunities could include, for example, a potential separation of financing of the battery from the car (facilitating technology upgrades) and energy management.

LeasePlan uses several non-financial KPIs to track its progress towards our 2030 goal of net zero emissions, all of which received limited assurance by our external auditor in 2020, although these are not explicitly used for risk management purposes. These indicators include the percentage of EVs in our new vehicle orders (2020: 14.9%; 2019: 7.5%); the average CO_2 g/km per vehicle in our funded fleet (2020: 126 g/km ; 2019: 133 g/km); and the total tonnes of CO_2 tailpipe emissions from our funded fleet (Scope 3) (2020: 5 million; 2019: 5.5 million). In addition, we disclose the total percentage of EVs in our funded fleet (2020: 13%; 2019: 8%). While not linked to our business model, and a relatively small part of our total footprint, we have also made efforts to reduce energy consumption at LeasePlan locations worldwide (Scope 2 emissions), while increasing our use of clean energy sources. We are currently monitoring three key indicators linked to the environmental footprint of our offices, which we aim to improve on, and which can lead to significant cost and operational efficiencies over time (also see *page 72*).

It should be noted that the transition to EVs has also enabled LeasePlan to further diversify its funding strategy and tap new investment pools. In 2019, LeasePlan launched a Green Bond Framework and its first-ever Green Bond (EUR 500 million) for the sole purpose of financing or refinancing Battery Electric Vehicles (BEVs). In 2020, LeasePlan through its updated Green Finance Framework (which follows the final Technical Expert Group's report on the EU Taxonomy) issued a second EUR 500 million bond, followed in early 2021 with a third Green Bond for EUR 1 billion. This highlights both the strength of LeasePlan's Framework and the ongoing support by institutional ESG investors for the group's long-term commitment towards low-carbon mobility.

Market dynamics

Unforeseen fluctuations in demand for EV solutions, or in our ability to supply them, could have a material adverse effect on our operations and results. Compared to the relatively mature fleet market for ICE vehicles, demand levels for EVs are more difficult to forecast, and depend on a wide range of factors we cannot influence. These include, but are not limited to, oil and renewable energy prices, the expansion of public transport infrastructure, availability of popular EV models, local urban policies affecting personal car use, changes in government policies and the imposition of carbon taxes, and other regulatory measures to address climate change, pollution or other negative impacts. Developments in these and other external factors may affect customers' use of EVs and, therefore, our EV transition goals. These may have a material adverse effect on the market prices of certain vehicle types in certain jurisdictions, which in turn could have a material adverse effect on our business, financial condition and results of operations. Sudden changes in the market can also make it harder for LeasePlan to have the right resources, people and stock in place to meet demand.

To help anticipate developments in the EV market, we closely follow trends among OEMs, suppliers and customers, which generally offer a good indication of short to medium-term changes. Each year LeasePlan publishes its EV Readiness Index to assess the EV preparedness of 22 European countries. We base this analysis on the maturity of each local market, the availability of charging infrastructure, government incentives that are in place, and the ability of our local organisation to deliver comprehensive end-to-end EV solutions to more customers. In addition, we have performed a stress scenario that incorporates a collapse in the second hand car market due to changes in regulation (for example, a significant change in EU regulation that prohibits and/or penalises the sale of second-hand cars that have a certain fuel type (diesel, petrol) and/or emissions level), resulting in a decrease of the residual value of cars under lease.

While still a relatively small part of global vehicle sales, the adoption of BEVs and plug-in hybrids is rising rapidly. Approximately 2.1 million EVs were sold worldwide in 2020, which is a major increase on the 250k sold in 2015. This growth trend is expected to continue as costs of ownership fall, with annual passenger EV sales forecast to reach some 8.5 million in 2025, 26 million in 2030 and 55 million by 2040[54]. Some of the fastest growth is likely to take place in markets in which LeasePlan is active. To meet this demand, we are partnering with OEMs to help ensure we can offer EVs at competitive prices, and target our customers with full package end-to-end solutions. These include configuration and customisation, finance, insurance, fleet management, RMT, remarketing services, home and office charging, and access to a network of public charging points.

Technology

While EVs have emerged as an increasingly popular vehicle type, the sales proceeds of currently sold used EVs could be challenged by uncertainties in battery life and future developments in battery technology that offer higher range and lower costs. We believe rapid advancements of this type have the potential to increase residual market value risks around certain EV models, particularly if customer preferences shift quickly towards models offering an improved battery performance and a higher range. We mitigate this potential impact by closely monitoring developments in new battery technology. Given the relatively long lead times that would be required to scale up and bring innovations to market, in combination with the relatively short average duration of lease contracts, we believe LeasePlan would have sufficient time to adjust the configuration of its funded fleet within its three-to-four years turnaround cycle.

54. Electric Vehicle Outlook 2020 BloombergNEF

Privacy and 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 will we win and retain trust, and succeed in our mission. This means being able to manage risks and meet requirements related to being a savings bank and active in financial markets; dealing with counterparties across multiple jurisdictions; handling personal data from customers and drivers; and developing new digital technologies that enhance and automate our products and services.

LeasePlan faces a complex privacy and compliance landscape to become world's first fully digital Car-as-a-Service business and support its strategic objectives. It applies a structured approach to meet the needs of its customers, suppliers, employees, and other stakeholders, as well as applicable legal and regulatory obligations. It also seeks to set high standards, which give our stakeholders the confidence to work with LeasePlan.

Management and mitigation

The Managing Board is responsible for managing privacy and compliance risks, while Group Privacy & Compliance, with support of local privacy and compliance officers, coordinates, oversees, controls, advises and reports on these risks. Integrated reports on the main risks, incidents and other important developments are prepared for the Managing Board, the Supervisory Board and our external auditor on a quarterly basis.

As part of the Risk Management domain, Privacy & Compliance aims to support LeasePlan's strategy by enabling controlled risk taking, and promoting responsible risk practices among all employees under the banner 'Just do the right thing!' Privacy & Compliance safeguards LeasePlan's integrity and reputation, protecting it against financial loss and reputational damage, and thereby also protecting the interests of our customers, suppliers and employees. We aim to integrate privacy and compliance into our daily business activities and strategic planning within our set risk appetite, and to challenge and assist the business while promoting awareness.

This requires us to:

- Support LeasePlan to ensure a proper control environment is in place for complying with applicable laws, rules, regulations and internal standards
- Help prepare LeasePlan for emerging trends and new requirements
- Support the business with managing day-to-day compliance risks
- Serve as a trusted business partner, supporting the integration and digitalisation of privacy and compliance in daily business activities and strategic planning
- Help maintain the integrity of products and services we offer and receive

The basis for mitigating compliance and privacy risks is the Privacy & Compliance Charter and Framework. The Privacy & Compliance Function – with a central team, including a dedicated Data Protection Officer and the AML Officer and privacy and compliance officers in all entities – operates within the context of LeasePlan's broader risk management framework, and is responsible for the effective management of the corresponding parts in four related areas:

- Counterparty and external conduct, for risks around money laundering, terrorist financing, sanctions and external fraud
- Employee conduct and internal culture, for risks of internal fraud, bribery, conflicts of interest, and not having a fit and proper organisation
- Products and services, for risks of insufficient duty of care
- Organisation, for risks of breach of privacy or personal data protection

Our privacy & compliance risk appetite is set on a yearly and overall basis and we perform a Systematic Integrity Risk Assessment twice a year. We also formulate further mitigating actions and key risk and key performance indicators for each area.

The Group's risk appetite, which is owned by the Managing Board, sets the direction for the Group's overall risk-taking by specifying the aggregate level of risk acceptable to the Group on the basis of credit, market, liquidity and non-financial risk (including Privacy & Compliance risks). LeasePlan's risk appetite for Privacy & Compliance risks was low in 2020.

We have also reviewed the risk appetite and tolerance levels for the identified risk types with the respective departments involved. Due to some limitations in the current set up, LeasePlan changed the approach for the RAS 2021 and moved away from more general terms that are currently being used (such as 'low' appetite). Instead, LeasePlan will apply a '5-scale' scenario approach to all risk areas and link those to LeasePlan's ambition and suitable behaviour.

The Systematic Integrity Risk Assessment (SIRA) was conducted once in 2020. LeasePlan made significant changes in the approach and the process to enhance this analysis. The main changes were as follows:

- A separate risk scorecard is the starting point of the assessment to ensure risk factors are taken into account
- All compliance/integrity risks will be assessed via scenarios, in line with best practices from the Dutch Central Bank (DNB)
- The assessment is conducted using a set template

As a result of the Covid-19 pandemic and remote working, Group Privacy & Compliance focused on specific risk areas such as cybercrime, Fraud, Privacy, Money Laundering and Bribery in 2020. The heightened risks of cybercrime and specific external fraud scenarios were clearly reflected in the outcome of the SIRA.

Following the implementation of the ONE Privacy & Compliance initiative in 2019, our focus in 2020 has been on further strengthening this foundation, while proactively safeguarding our integrity and reputation; and protecting against financial loss and negative supervisory attention.

Thus focusing on the following highlights:

- Structural improvements to continue improving and enhancing the privacy & compliance foundations
- Continuous implementation of AML / CTF / Sanctions & Privacy initiatives across the company and get the boots on the ground
- Inclusiveness of people and connecting people

Privacy

While some priorities were adjusted as a result of the Covid-19 lockdowns, Privacy focused on the following areas in 2020:

- Privacy Programme rolled out across the LeasePlan Group, including new modules within the privacy management tool to conduct and maintain automated privacy assessments; a new data processing register; and relevant training and support programmes
- Enhanced privacy and data governance by defining a Privacy Control Framework
- Increased privacy awareness across the organisation. In addition to the existing induction trainings for new joiners in all entities, we re-established a privacy and compliance champions network that will be further utilised in 2021
- Further embedded our privacy-by-design-and-central approach. We maintained group-wide baseline privacy-by-design requirements for our systems and applications, created training materials and hosted privacy-by-design training sessions, which included LeasePlan Privacy officers in the country entities. We will continue these efforts in 2021 with the further development of templates, guides, playbooks and training materials
- Supported strategic initiatives with privacy elements. This included providing guidance, setting requirements and consulting towards data governance; introducing integrated data breach processes; and advising on Next Generation Digital Architecture initiatives. This will continue in 2021
- Support and handling of material breaches to personal data. None of the personal data breaches we had to report to the relevant data protection authorities resulted in further investigations, penalties or formal warnings
- Support in handling material data subject request from individuals. We manage and monitor requests from individuals in relation to personal data via a dedicated privacy management tool. We see individuals becoming more privacy aware and mindful of the rights they can exercise regarding personal data. The level of data subject requests is currently stable and in line with expectations

Employee integrity programme

Our integrity programme aims to make integrity an integral part of LeasePlan's conduct and business, so that the organisation and its employees are able to 'Do the right thing!' The global LeasePlan integrity programme takes a structured approach consisting of six elements:

Fit & proper assessment

- The risk of not having a fit and proper internal culture is assessed as one of the risks in the Systematic Integrity Risk Assessment (SIRA), based on three scenarios.

Mitigating measures

- Code of Conduct explains how we must approach our business dealings; based on sound business ethics and respect for stakeholders and society
- LeasePlan's values and principles of conducting business provide a framework for our everyday business decisions. This includes dealing with other employees, customers, suppliers, society at large, government authorities, regulators, investors and other business partners
- Talent management provides a competency framework, which defines the knowledge, skills, and attributes we need for our organisation, including integrity
- Talent management and onboarding policies ensure all prospective employees are screened
- Annual compliance declaration commits employees to the LeasePlan Code of Conduct and the underlying policies

Monitoring

- Global Integrity Survey is a part of the annual Global Engagement & Integrity Survey of employees regarding culture for integrity. The questions in the survey are related to the Seven Elements of a Culture of Integrity defined by the Dutch Central Bank (DNB)
- Local monitoring by Local Compliance Officers in each of our entities on all related privacy and compliance topics. The LCO monitors the presence and effectiveness of controls
- Monitoring visits to entities by members of the corporate Privacy & Compliance department to periodically monitor the presence and effectiveness of controls. These visits are currently on hold due to Covid-19 lockdown measures
- Privacy & compliance has put key performance indicators and key risk indicators in place which are reported

Awareness

- Compliance induction training is conducted with all new joiners in all entities. There is also mandatory compliance training available on the topics including bribery and money laundering, among others

Incident handling and learning

- Our risk policy and incident management standard defines the mandatory incident handling process
- Root cause analyses is conducted when deemed necessary in order to learn from these and prevent future incidents. The incident learning is focused on the Seven Elements
- LeasePlan has an internal and external whistleblowing process

Reporting

- Group Privacy & Compliance reports to the Risk Committee of the Supervisory Board on the entities operating in line with the Risk Appetite for compliance risks
- Local Compliance Officers (LCOs) have a direct reporting line to the Group Compliance Officer, and Local Privacy Officers (LPO) have a direct reporting line to the Data Protection Officer
- Group Compliance Officer (GCO) has a direct reporting line to the Managing Board and the Supervisory Board

In 2020 we implemented the following actions as part of the integrity programme:

- All entities assessed the risks in the SIRA of not having a fit and proper internal culture, based on three scenarios
- Global Integrity Survey was updated and rolled out
- Key indicators for the risk of not having a fit and proper internal culture were developed
- Model for incident learning was further developed

In 2021 we will focus on the following areas:

- Update of the Code of Conduct
- Expand the scope of our incident learning model to other risk areas beyond Compliance
- Report on new key indicators to monitor our risk of not having a fit and proper internal culture
- Further enhance awareness about our integrity culture

Anti-money laundering and counter terrorism

LeasePlan does not knowingly do business with any counterparty that is engaged in or highly suspected of not being compliant with rules and regulations or that is engaged in or is highly suspected of involvement in financial economic crime. We ensure this by having the right policies, processes, tools and people in place to adequately address these risks by:

- Making sure we do not consciously start a business relationship or perform an occasional transaction (e.g. onboard, pay, service) with counterparties that increase this risk
- Continuously monitoring that any existing relationship does not increase this risk
- Responding in case such risk increases, e.g. via exiting of counterparties

We perform counterparty due diligence to ensure all measures are applied consistently and in a timely and effective manner across all LeasePlan entities. We also look to automate this process as much as possible as part of our new Counterparty Due Diligence (CDD) 2.0 project which started in 2020 with the following steps:

- Created a new Anti-Money Laundering, Counter-terrorist Financing and Sanctions Policy and Standard
- Centralised alert handling at our Service Centre in Romania
- Implemented stricter monitoring and reporting to remain within set risk appetite
- Performed a detailed analysis of the CDD landscape and CDD application landscape
- Started designing target processes and required architecture
- Rolled out a new e-learning globally to increase awareness

In 2021, the project will focus on fully designing and partly implementing the new CDD processes across the entities and counterparties, including:

- Design of target processes
- Selection and integration of suppliers to support LeasePlan in its new processes
- New process implementation across entities and products
- A continuous focus on reporting elevated risks per entity and products

Anti-bribery and corruption

LeasePlan is committed to carrying out its business in a responsible manner, based on sound business ethics and with respect towards stakeholders and society. LeasePlan has a zero tolerance policy against bribery, and acts in accordance with applicable laws and regulations, our Code of Conduct and all related internal policies and standards.

LeasePlan has a risk-based approach to mitigating bribery risk. In entities where the risk is deemed be higher, for example, in higher-risk countries or because they are doing business with clients in high risk sectors, more mitigating measures are implemented. To decrease corruption risks, we undertook various measures, including the roll out of a global Bribery risk assessment. The goal of this assessment was to:

- Establish an integral picture of the bribery risks LeasePlan faces
- Determine how these risks relate to the risk appetite
- Identify and decide where adjustment or mitigation of risks was necessary

This assessment took into account the specific circumstance of each LeasePlan entity, and any relevant risk factors (e.g. country risk, counterparty risk, sector risk). The outcome gave further insights into local monitoring requirements and showed where additional training and awareness initiatives can be of use.

On the basis of the assessment we can conclude that our overall bribery risk was within the risk appetite.

Bribery risk was also one of the compliance risks examined as part of the Systematic Integrity Risk Assessment (SIRA) in 2020. In addition, LeasePlan reviewed and merged the three compliance policies relating to bribery risk; Anti-Bribery and Anti-Corruption Policy, the Conflicts of Interest Policy, and the Outside Positions Policy; into a single policy that is easier to apply, implement and understand. LeasePlan also conducted numerous awareness/ monitoring initiatives, both locally and initiated centrally, to ensure that everyone continues to be strongly focused on preventing bribery.

As one of LeasePlan's top compliance risks, our Anti-Bribery programme will continue to be a major focus area in 2021.

Conflicts of interest

Conflicts of interest are addressed within LeasePlan's Conflicts of Interest, Anti-Bribery and Anti-Corruption and Outside Positions Policies, which set out our minimum standards of compliance, and are assessed bi-annually via the Systematic Integrity Risk Assessment. In line with our Code of Conduct, it is essential that LeasePlan be able to identify actual, potential or perceived conflicts of interest and assess, and mitigate or prevent such conflicts fairly and appropriately, in order to safeguard the interests of all stakeholders.

Any potential, perceived or actual conflict of interest must be reported immediately to the Compliance Officer, and employees must also promptly inform of any changes to previously reported conflicts. Reported conflicts of interest are assessed by the Compliance Officer, who determines what actions, if any, are required to manage and mitigate the conflict. The assessment is performed prior to the intended arrangement, transaction or contract being entered into by LeasePlan, unless it has already occurred. Part of this assessment involves determining whether the conflict is, or is likely to be, ongoing (in which case the conflict would need to be managed and monitored on an ongoing basis) or whether the conflict is, or is likely to be, a single event with a defined end date.

Focus areas 2021

The main focus areas in privacy and compliance for the year ahead are:

- Increase awareness levels at all layers of the organisation through continuous learning, root cause analysis and communication on incidents, while utilising the new privacy and compliance champions network
- Optimise the way we work by rolling out a harmonised control framework, develop guidance and further embed the privacy and compliance function in LeasePlan's core business processes while enhancing the efficiency of risk cycle process
- Improve the efficiency and effectiveness of our process by using technology to automate, monitor, predict and prevent privacy and compliance risks
- Continue to support strategic initiatives on all privacy and compliance topics

Legal

The Global Legal Function manages legal risks across the LeasePlan Group. The Legal Function is organised in a Group Legal Department at central level and local legal functions in each of the countries where LeasePlan is represented.

We have continued to evolve rapidly to keep pace with the changing needs of the business. Legal has become a strategic partner for the entire organisation, enabling our internal stakeholders to make informed business, corporate or strategic decisions. We are closely aligned with our internal stakeholders and jointly mitigate legal risks.

Our focus will continue to be on supporting the accelerated digital transformation of LeasePlan, whereby Legal advises on a variety of aspects of the design, set-up and transition to LeasePlan's Next Generation Digital Architecture.

2020 – year of crisis, challenge and change

In the immediate response to the pandemic outbreak, Legal proved to be a valuable business partner in preparing a Covid-19 Legal Action Plan. As part of this plan, government support programmes were assessed and various financing documents and key contracts were reviewed for the effects of non-compliance, default and force majeure terms.

Covid-19 and other (internal and external) drivers also created an opportunity for the Legal Function to reaffirm its values, strategy and purpose. We are developing a future-fit legal organisation – NextGen Legal – with the following key characteristics:

- One Legal: further integration and collaboration within the LeasePlan legal community
- Global roll out of One Contract and further optimisation and standardisation of legal services: aligned with standard product offering and core processes
- Greater, smarter use of technology: further roll out of digital vision and digitisation of legal tasks and processes allowing business self-service, contract analytics and pre-emptive negotiation
- Virtual legal knowledge & expert centres providing legal support across the globe
- Smart Sourcing of legal services: outsourcing of high volume/low value legal support to shared service centre and alternative service providers

Shaping the Legal Function for the future by improving efficiency and implementing innovation will be a key focus area for 2021. To this end, several legal tech solutions were upgraded or implemented. A pilot with a contract life cycle management (LCM) tool has been initiated, which will support all stages of the contracting process and includes smart contracting functionalities for LeasePlan's key contracts. Once implemented, this solution enhances the insight and control over contractual commitments and accelerates contract cycle times.

The Legal Function spans a variety of focus areas to ensure all legal risks for LeasePlan are sufficiently covered and key stakeholders are adequately supported:

Corporate Secretariat

The Corporate Secretariat supports the Managing Board, and the Supervisory Board and its various committees with their meeting logistics, onboarding of new members, the execution of their respective Lifelong Learning programmes and facilitates recurring (self)evaluations.

In addition, the Corporate Secretariat advises, guides and steers the boards on corporate law and corporate governance-related matters and ensures compliance with corporate governance rules and internal rules and procedures. In 2020 the Corporate Secretariat has developed a roadmap to further enhance LeasePlan's governance, which will be executed in 2021.

Commercial contracting

The commercial contracting team is mainly responsible for supporting the Commerce team in its dealings with international clients. Following the Covid-19 outbreak LeasePlan's contracts were stress-tested and reviewed for force majeure clauses and potential defaults. In addition, multiple contract amendments were drafted to allow for (lease) extensions or payment holidays. At the same time, many new customers and leasing partners were onboarded and existing contracts were renewed. Next year, the team will continue its support for further growth of the LeasePlan business.

Competition

In economically challenging times, it may be even more important to understand market developments and to adopt business strategies to it. This may never go at the cost of competition compliance. At the same time competition laws may be used as an enabler for such changing dynamics, and we actively advocate for the interest of leasing companies when new legislation is being developed. Our competition centre of excellence provides day-to-day advice, learnings and reminders to support the business teams with competing fairly, including the anticipated roll-out of a global competition e-learning programmes.

Employment

LeasePlan values employee representation and actively discusses important business decisions with employee representatives. The Dutch organisation has various works councils at the level of LeasePlan Global, LeasePlan Netherlands, LeasePlan Digital and CarNext.com. In 2020, a Central Works Council was instituted, overarching the individual Dutch works councils and being a sparring partner for management for matters that relate to multiple parts of the organisation.

Digital & indirect procurement

Part of the legal team is dedicated to digital and (IT) procurement and provides focused support on LeasePlan's core Digital and IT development programmes, such as the implementation of the Customer Journeys across the LeasePlan Group and the Next Generation Digital Architecture. This year the team supported the safe hosting project and negotiated a new end-to-end connectivity contract for the LeasePlan Group.

Legal finance

The legal finance team focuses on maintaining LeasePlan's funding and liquidity position by supporting the raising of funds across LeasePlan's funding pillars. Despite the unprecedented and challenging market conditions, together we managed to obtain more than sufficient funds to grow our business.

Strategic projects

In 2020, the Legal Function acted as trusted advisor supporting LeasePlan to realize its strategy through various strategic projects, ranging from the acquisition of lease portfolios, the set-up of CarNext.com as a separate business unit, joint ventures and other strategic partnerships.

Governance & leadership

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Managing Board

Tex Gunning

CEO and Chairman of the Managing Board

Tex Gunning (1950) was appointed as Chief Executive Officer and chairman of the Managing Board of LeasePlan in September 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. Mr. Gunning served on the supervisory board of TNT Express from 2011 to 2013, prior to his appointment as CEO. In his role as managing director of the Decorative Paints Division of AkzoNobel between 2008 and 2013, he integrated ICI in AkzoNobel's decorative paints business with ICI. Between 2007 and 2008, he was CEO of Vedior, overseeing its acquisition by Randstad in 2008, which saw Randstad become the second largest recruitment company in the world. He also has 25 years of experience with Unilever, where his last role was business group president in Asia. In addition, Mr. Gunning was supervisory board member of Stichting Nederlandse Vrienden der SOS Kinderdorpen from 2012 to 2013 and of Stichting dance4life from 2013 to 2017. Currently, he is supervisory board member of Vereniging Erasmus Trustfonds (from 2014), Stichting Nexus Instituut (from 2015) and Stichting Het Wereld Natuur Fonds-Nederland (from 2016). He is also chairman of the Board of Stichting Grachtenfestival (from 2017) and World Economic Forum Climate Sector Leader Automotive (from 2018). Mr. Gunning is an Economics graduate of Erasmus University.

Toine van Doremalen

Chief Financial Officer (as of 23 December 2020)

Mr. van Doremalen (1973) has a long career in senior finance roles across a variety of industries, including leasing, lighting and medical devices. 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, Mr. van Doremalen was SVP & CFO of the Patient Care & Monitoring Solutions business at Philips in the Boston, USA area. He worked for nearly two decades at Philips in various senior finance positions in Europe, Asia and the USA. Mr. van Doremalen 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
(Chief Financial Officer and acting Chief Risk Officer until 23 December 2020)

Mr. Sutor (1973) was appointed as member of the managing board of LeasePlan in 2019 following a long career in banking and automotive finance. Before becoming Global Head of Finance at Commerzbank in 2012, he 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 experience in corporate restructuring exercises and credit workouts and has managed accounts in complex global organisations, harmonising systems, increasing efficiencies and introducing single finance architectures across jurisdictions. Until November 2020, Mr. Sutor 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.

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. 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 program 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 Continuiteit Signify (since 2017), member of the advisory board of Van Lanschot Kempen N.V. (since 2018) and member of the board of Preference Shares Foundation ASML (since 2021). Mr. Streppel holds a Master's degree in Economics from Tilburg University.

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 December 2018. Mr. van Schilfgaarde is also the chairman of the Audit Committee, member of the Risk Committee and member of the Selection and Appointment 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 (2011-2013) of Getronics N.V. From 2016 to 2017, Mr. van Schilfgaarde was CFO of Cooperatie 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.

Manjit Dale

Manjit Dale has been a member of the Supervisory Board since March 2016 and was reappointed in June 2019. Mr. Dale co-founded TDR Capital LLP in 2002 alongside Stephen Robertson. Prior to that, Mr. Dale was managing director and head of DB Capital Partners Europe and predecessor firm BT Capital Partners from 1995 to 2002. Mr. Dale holds an honours degree in Economics from Cambridge University.

Leadership team > Supervisory Board

Allegra Cristina Carla van Hövell-Patrizi

Allegra van Hövell-Patrizi has been a member of the Supervisory Board since March 2018. She has been Chief Risk Officer and member of the management board of Aegon N.V. since 2016. She has been a member of the supervisory board of Aegon Ireland from 2017 to 2018. In addition, she currently is Chair of the CRO Forum and Vice Chair of the Insurance Europe ECOFIN Committee. Previously, she was business analyst corporate finance at JP Morgan (1995), up to partner level at McKinsey (1996 to 2007), head of product management and head of client solutions and chief administrative officer at F&C Investment (2007 to 2009), member of the CEO office and business representative U.S. and risk (2009 to 2013) and group risk director at Prudential Plc (2013 to 2015). Ms. van Hövell-Patrizi was also a member of the founding board of the Women's Forum for Economy and Society. She holds a Master's degree and DEA in Engineering/ Applied Physics from École normale supérieure in Paris, as well as an MBA from INSEAD.

Paul Johannes Scholten

Paul Scholten has been a member of the Supervisory Board since June 2019. 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. 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 a LLM degree from the University of Utrecht and an MBA degree from Erasmus University Rotterdam.

Leadership team > Supervisory Board

Herta von Stiegel

Herta von Stiegel has been a member of the Supervisory Board since March 2015 and was reappointed in March 2018. 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 and Enforcement Committees, and as chairperson of Britam Asset Managers (K) Limited, where she also chairs the Remuneration Committee. 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 RedT Energy 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. Since 2015, she has been serving as chairperson of the Women Corporate Directors Kenya. In 2008, she founded Ariya Capital Group Ltd., and became executive chairperson. Since 2016, she has been an adjunct professor and academic director at Strathmore Business School. Ms. von Stiegel holds a J.D. degree from Thomas M. Cooley Law School and an LLM degree in Taxation from New York University School of Law. 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.

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. He has further been head of private equity at PGGM N.V. since 2012, and member of the private equity board of Stichting Pensioenfonds TNO since 2016. 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. Mr. Vink holds a Master's degree in Business Administration from Erasmus University Rotterdam.

Chairman of the Supervisory Board statement

Jos Streppel Chairman of the Supervisory Board

Chairman of the Supervisory Board statement

2020 was an exceptional year that demonstrated the resilience of LeasePlan's employees, customer base and business.

Reflecting on 2020, I am proud to say that, in the early days of the pandemic, LeasePlan's Managing and Supervisory Boards were quick to realise the seriousness of the situation as we watched Covid-19 sweep from China into LeasePlan markets in Asia, and that rapid action was required. As a result, we became one of the first companies to move its entire global workforce to remote working – protecting the wellbeing of employees and customers.

Just over a year later, we can now say with certainty that LeasePlan has dealt exceptionally well with the challenges presented by Covid-19. Within weeks, we had ensured our people could work safely from home, put in place programmes to help our customers through the pandemic, and safeguarded our liquidity position – which included the issuance of a second EUR 500 million Green Bond in April.

The tremendous efforts of our employees and experienced management team, combined with the extremely resilient nature of our business model, saw LeasePlan end one of the most challenging years in recent memory on a strong footing. Overall, LeasePlan delivered a solid underlying net result of EUR 406 million, maintained a high return on equity, and – most importantly – kept customers safely on the road despite the closure of car factories, which created significant supply issues, in the early part of the year. Our people also maintained an enormous degree of focus and commitment, which was demonstrated by our record high employee engagement score of 84.3%. That this result was achieved at the end of a year in which all employees had been working from home speaks to the high degree of trust in LeasePlan's management, and is to be applauded.

Against this backdrop, our Car-as-a-Service business delivered a robust result, supported by increasing demand for delivery vehicles due to the boom in online shopping, as well as the popularity of our 'full package' electric vehicle solution. EVs have become a significant portion of the new vehicles we order – a strong indication of our leadership position in the transition to zero emissions mobility. CarNext.com, our digital used-car marketplace, also performed well. Online sales doubled and revenues were up over 15%, with customers showing strong demand for our new range of e-commerce services. These included Covid-proof innovations, such as virtual car appointments and click & collect, as well as an expanding range of ancillary services.

2020 was also, of course, the year that digital became the 'new normal' – and I am pleased to say that the resilience shown by both of our businesses in 2020 was undoubtedly helped by the progress LeasePlan has made in implementing its digital strategy in recent years. It is important to note, however, that 2020 was about more than simply ensuring our existing operations could function effectively: for LeasePlan, 2020 was also a year of continued digital innovation, and saw the launch of numerous digital products to deliver improved services to our customers. Going forward, the transition to a digital business model will remain a key focus area for LeasePlan as we work to harmonise our products, services and processes through our Next Generation Digital Architecture. In the past year, we have seen the pace of digital innovation accelerate significantly, and we are determined to stay ahead of the curve.

Towards the end of 2020, we were pleased to announce that the Supervisory Board, in addition to his position as a Managing Board member, took the unanimous decision to appoint Jochen Sutor responsible for LeasePlan's risk and compliance functions as Chief Risk Officer, a position he has been fulfilling on an ad interim basis in addition to his role as Chief Financial Officer of LeasePlan Group. Jochen has highly demanded experience in European Central Bank (ECB) regulation, which is a critical capability in view of LeasePlan's upcoming change of supervision from the Dutch Central Bank to the ECB. The Supervisory Board also appointed Toine van Doremalen as Jochen's successor as CFO. In his previous position as CFO Car-as-a-Service, Toine was already responsible for the greater part of the financial management of LeasePlan and has previously performed the tasks of CFO on an ad interim basis. I wish both Jochen and Toine all the best with their new responsibilities.

I would like to conclude by thanking all employees for their hard work and dedication in 2020, as well as our experienced management team for steering the business successfully through the crisis. I would also like to thank our customers and shareholders for continuing to place their trust in us, as well as the Dutch National Bank for all their efforts in supporting us in recent years as we transition to European Central Bank supervision.

Undoubtedly, 2021 will continue to present us with challenges as we slowly transition out of the pandemic. However, LeasePlan has every reason to be optimistic, with a strategy that has positioned it to not only show resilience in the face of major global threats, but to also reap the benefits of the major trends in our industry and deliver further sustainable growth in the years ahead.

Jos Streppel
Chairman 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 2020

Report from the Supervisory Board

This report contains an overview of the activities of the Supervisory Board and its committees in 2020. A description of the composition and operation of the Supervisory Board is set out in this report and in the chapter 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 2020, the Supervisory Board consisted of Mr. J.B.M. Streppel (Chairman), Mr. S. van Schilfgaarde, Mr. M. Dale, Mr. P.J. Scholten, Ms. H. von Stiegel, Ms. A. van Hövell-Patrizi, and Mr. E.J.B. Vink.

Independence

All members of the Supervisory Board perform their duties independently and critically. In the event of a conflict of interest with regard to a particular topic, the Supervisory Board member in question may not participate in discussions or decision making on that topic. Five members are independent, of which two were appointed following the specific right of recommendation by the Works Councils, and two are associated with the consortium of shareholders.

Diversity

The members of the Supervisory Board have a diverse and balanced mix of knowledge, skills, and expertise. The Supervisory Board aims to ensure that its members represent a good balance in terms of diversity (including nationality, gender, and area of expertise) 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 general conduct of affairs of LeasePlan and its Group companies. In its role, it acts as an advisory partner to the Managing Board in determining the company's strategic direction so as to ensure it creates value for all its stakeholders. 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, risk management, risk appetite, governance, internal controls, and any other organisational developments of the business.

Main supervisory processes

The Chairman of the Supervisory Board is in close contact with the Chairman of the Managing Board. There are close relations with the Works Councils, not only safeguarded by the two Supervisory Board members who were appointed following the specific right of recommendation of the Works Councils, but also through direct and regular contacts with the Works Councils. 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 Chairmen of the relevant committee or Supervisory Board, as applicable. Certain resolutions of the Managing Board, specified in the Articles of Association of LeasePlan and in the Managing Board regulations, 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 are 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 Lifelong Learning (LLL) programme, with the aim of maintaining and, where necessary, improving the expertise of the Supervisory Board members at the standards that are generally imposed. The learning programme covers relevant developments in the company and its corporate governance, as well as specific topics relating to the financial sector, integrity, risk management, financial reporting and audits. The members of the Supervisory Board took part in an LLL programme during the year, which focused on behaviour of board members in a crisis.

Report from the Supervisory Board

Assessment of the Supervisory Board

The Supervisory Board carries out an annual assessment of its own performance, 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 independent supervision by a professional 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 December 2020, the Supervisory Board conducted a self-assessment, the results of which were discussed during the Supervisory Board meeting in February 2021.

The Supervisory Board is of the opinion that it meets the required profile in terms of suitability, expertise and diversity, and also complies with the Dutch Corporate Governance Code in this respect, although the code is not applicable to LeasePlan as a non-listed entity. The Supervisory Board Chairman prioritised bilateral contacts with the other Supervisory Board members to make sure everybody had the required information and knowledge, and there have been regular discussions with the Managing Board, the consortium of (indirect) shareholders and the Works Councils.

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 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 about the running of the business. 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

Nine Supervisory Board meetings in 2020 on the following dates

Date		
30 JANUARY 2020	20 MARCH 2020	18 SEPTEMBER 2020
7 FEBRUARY 2020	8 MAY 2020	8 OCTOBER 2020
26 FEBRUARY 2020	10 AUGUST 2020	6 NOVEMBER 2020

Attendance of Supervisory Board members

Name	Attendance %
JOS STREPPEL	100%
STEVEN VAN SCHILFGAARDE	100%
MANJIT DALE	66.67%
ALLEGRA CRISTINA CARLA VAN HÖVELL-PATRIZI	88.89%
PAUL JOHANNES SCHOLTEN	100%
HERTA VON STIEGEL	100%
ERIC-JAN BOUDEWIJN VINK	100%

Committee meetings

Committee	Number of meetings
AUDIT COMMITTEE	4
RISK COMMITTEE	3
REMUNERATION COMMITTEE	3
SELECTION AND APPOINTMENT COMMITTEE	5
IT & DIGITALIZATION COMMITTEE	4

Committee membership

Name	Committee membership
JOS STREPPEL	Selection and Appointment Committee (chair), Remuneration Committee, Risk Committee and IT & Digitalisation Committee
STEVEN VAN SCHILFGAARDE	Audit Committee (chair), Selection and Appointment Committee, Risk Committee and IT & Digitalisation Committee
MANJIT DALE	Selection and Appointment Committee, Remuneration Committee and IT & Digitalisation Committee
ALLEGRA CRISTINA CARLA VAN HÖVELL-PATRIZI	Risk Committee (chair)
PAUL JOHANNES SCHOLTEN	IT & Digitalisation Committee (chair) and Remuneration Committee
HERTA VON STIEGEL	Remuneration Committee (chair), Selection and Appointment Committee and Audit Committee
ERIC-JAN BOUDEWIJN 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 the digital transformation, governance and risk management with a specific focus on the performance against the approved risk appetite, asset risk management, and credit risk management including approval of credit exposures above EUR 150 million. During 2020, the Supervisory Board was regularly updated on the developments around the impact of Covid-19.

Financial reporting

Financial reporting is discussed regularly at meetings and calls of the Supervisory Board. All interim financial statements 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 2020 on 12 March 2021. KPMG acted as external auditor for the 2020 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 has a total of five committees. These are: the Audit Committee; the Risk Committee; the Remuneration Committee; the Selection and Appointment Committee and the IT & Digitalisation 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 (AC) met four times during the year. Recurring items were reviewing the quarterly financial performance press releases, and 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 AC.

Risk Committee

There were three Risk Committee meetings in 2020. A cycle of risk-related matters is addressed with a frequency of four times during the year (and more often if so desired), with specific items to be tabled upon request, such as IT security, resourcing and Pillar III.

Remuneration Committee

The Remuneration Committee met three times in 2020. 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 113*.

Selection and Appointment Committee

The Selection and Appointment Committee met five times in 2020. It discussed the implementation of an Executive Committee, the vacancy for the position of Chief Risk Officer, the appointment of the Chief Financial Officer and the Chief Risk Officer, and the nomination to re-appoint Ms. von Stiegel as member of the Supervisory Board.

IT & Digitalisation Committee

The IT & Digitalisation Committee met four times in 2020. It discussed the progress on the implementation of the digital strategy of the company.

Report from the Supervisory Board

Annual report and financial statements for 2020

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 2020. 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 2020, as included from *page 219* 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,
12 March 2021

The Supervisory Board

Jos Streppel (Chairman)

Steven van Schilfgaarde (Vice-Chairman)

Manjit Dale

Allegra van Hövell-Patrizi

Paul Johannes Scholten

Herta von Stiegel

Eric-Jan Vink

Remuneration report

LeasePlan will continue to ensure that its remuneration policies and practices are consistent with and promote sound and effective risk management

Remuneration report

LeasePlan's Group Remuneration Framework

LeasePlan will 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 basic principle of LeasePlan's remuneration policy is that it does not reward for failure.

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.

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 as well as Control Staff.

Design principles

Taking into account LeasePlan's strategy and risk appetite the following principles have amongst others been taken into account when designing the Framework:

- Fixed and variable remuneration will be used to align individual performance with both short and long-term corporate strategy and objectives
- Remuneration will be set at a level to attract and retain talented and qualified employees within the group
- The remuneration structure and performance metrics should encourage a cohesive culture, encourage teamwork and establish a common approach to drive company success
- 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
- 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 will take into account skills, experience and individual performance and will be reviewed regularly, typically on an annual basis
- Variable remuneration plans for all staff 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. In specific situations for staff employed outside the EEU the cap could be raised to 200% but only after the appropriate governance was applied
- 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 reward for failure or misconduct. For LeasePlan's daily policymakers severance payments are capped at 100% of the annual fixed remuneration
- Claw back 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 identified as Identified Staff. 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 from an external valuation expert
- Fifty percent (50%) of the total annual variable remuneration will be granted upfront (both cash and PSUs) and fifty percent (50%) of the total variable remuneration will be deferred for a period of four 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 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 and the Remuneration Framework
- Managing Board members are appointed for the duration of four years
- For the Managing Board at least 60% of Variable Remuneration will be paid in the form of PSUs. The deferral period for the Managing Board is five years, in line with CRD V requirements
- 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

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 variable remuneration of 50% at target and 100% at maximum
- Each Managing Board member has agreed to voluntarily cap its variable remuneration at 20% of its base salary
- Managing Board members are entitled to a company car as per the applicable car policy of LeasePlan Global B.V.
- 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

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 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 the remuneration governance: the Managing Board, the Supervisory Board, the Remuneration Committee, People & Performance, 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:

- Reviewing and approving the Framework and supervising its implementation (if it includes changes applicable to the Managing Board, in addition the General Meeting of Shareholders will be requested for approval)
- Approving the selection of Identified Staff on an annual basis
- Approving the financial and the non-financial performance indicators and targets for Identified Staff
- Reviewing and approving the award of any fixed and variable remuneration for Identified Staff
- Reviewing and approving significant severance payments for Identified Staff
- The nomination, structure and the level of all remuneration and performance assessment of the members of the Managing Board

Remuneration report

- Approving the Identified Staff group
- Overseeing remuneration of Identified Staff including Heads of Control Functions
- The principles underlying the remuneration framework in 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 2020 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:

- Developing and adopting the Framework
- Recommending fixed and variable remuneration levels/payments for Identified Staff, other than for Managing Board members, in line with the Framework
- Setting the financial and non-financial targets for Identified Staff, excluding those of Managing Board members, in line with the short- and long-term corporate strategy and objectives
- Adopting the Remuneration Framework
- Determining the criteria on the basis of which the Identified Staff are selected
- Propose the Identified Staff group
- Determine 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)
- 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 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.

Remuneration report

Performance indicators

The table below provides an overview of the global performance indicators that are derived from LeasePlan's business strategy for performance year 2020:

Strategy in 2020	In light of Covid-19 our goal was to maintain the strength and resilience of the business, while delivering portfolio growth			
Key performance indicators in 2020	Financial			Non-financial
Target	Liquidity	Opex	Cost income ratio	Weighted fleet growth
All targets as % of variable remuneration for Managing Board	8.33%	8.33%	16.67%	16.67%

** Individual performance can reduce or increase the variable remuneration.*

LeasePlan acted quickly to mitigate the impact of Covid-19 on its business and clients. At an early stage it was decided to ensure prudency with regard to the allocation of variable remuneration, which is reflected in the amounts that have been granted.

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 2020

In 2020, LeasePlan's Remuneration Framework was updated to remain in alignment with the European Banking Authority Guidelines on sound remuneration policies, organisational changes and LeasePlan's corporate strategy.

In 2020 there was no claw back or hold back of variable remuneration previously allocated.

For 2021, no material changes are expected to the LeasePlan's Remuneration Framework. LeasePlan's Remuneration Framework will be updated in line with CRD V.

Governance

We believe that a robust governance infrastructure supported by the right culture, values and behaviours, throughout the entire organisation, is key to our continued success

Governance

We believe that a robust governance infrastructure supported by the right culture, values and behaviours, throughout the entire organisation, is key to our continued success. 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 is in Amsterdam, the Netherlands as well as its statutory seat. LeasePlan operates in over 30 countries across the globe. 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 218*. There have been no material changes to the legal group structure in 2020.

Supervision

In addition to an effective global corporate governance infrastructure, LeasePlan is subject to supervision by competent supervisory authorities worldwide with whom we are constantly engaged in discussions and assessments. In the Netherlands, we are 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 was surpassed, LeasePlan qualified as a significant institution and as a result, as of 1 January 2021, LeasePlan's supervision has been transferred from the DNB to the European Central Bank.

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

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, CRR and CRD), 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 our diversified funding strategy, we obtain funds from savings deposits in the Netherlands and Germany through LeasePlan Bank. We have a banking licence pursuant to which we are obliged to comply with banking regulations such as 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, e.g. 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 amongst 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.

Governance

Governance structure

LeasePlan is governed by a two-tier board comprising a Supervisory Board and a Managing Board. Both boards perform their duties and powers as laid down in the relevant laws, rules, regulations and our Articles of Association. LeasePlan intends to implement an Executive Committee to ensure its businesses, countries and functions are properly represented in the decision-making process and to strengthen its ability to develop and execute the strategy. The envisaged members of the Executive Committee have been appointed by the Supervisory Board on the recommendation of the Managing Board, subject to regulatory approval.

Supervisory Board

The Supervisory Board is responsible for supervising the Managing Board and the general course of affairs of LeasePlan and its Group companies. In addition, the Supervisory Board advises the Managing Board in determining the strategic direction. It also is responsible for the appointment, and the yearly assessments of the remuneration and other conditions of employment, of the Managing Board members.

As of 31 December 2020, the Supervisory Board consisted of seven members. More detailed information with respect to the members of the Supervisory Board can be found in the Supervisory Board report and on *page 108*. 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

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. It is well aware of the need to ensure that its actions are consistent with LeasePlan's culture, ethics and values, and of the positive effect 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.

It is responsible for selecting 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 2020, 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 (Jochen) Sutor as Chief Risk Officer. More detailed information about the members of the Managing Board can be found on *page 99*.

The division of tasks within the Managing Board is determined by the Board itself and has been approved by the Supervisory Board. The members of the Managing Board 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 and the Supervisory Board. The various training sessions are conducted by internal and external experts.

The appointment of the Managing Board members is based on their relevant experience, knowledge, expertise and suitability. The Supervisory Board creates the profile for the selection of the new board member which focusses additionally on complementary qualities, team dynamics and diversity.

To fully assess all options, the current selection process includes a thorough search, either via an internal succession process, or assisted by shortlisted search agencies to find suitable candidates. The potential candidates are interviewed and the final decision is made by the Supervisory Board based on the evaluation made by the relevant stakeholders in LeasePlan and the Supervisory Board, after having consulted

Governance

the shareholder. We are in the process of developing a formal policy for the recruitment of the Managing Board members.

In 2020, an internal candidate was appointed as the new CFO based on his relevant experience in senior finance roles, capabilities and global market knowledge. The newly appointed CRO for LeasePlan (former CFO of LeasePlan) has strong rooted experience in banking and risk management, which is considered valuable for focusing on regulatory requirements in the coming years. Further details on skills and previous experience are set out in Governance & leadership section on *page 98*.

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 all cultural, linguistic and national 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 obtain an equal division of gender in the Managing Board and Supervisory Board and operates a formal policy to this end. This means that every time a position within either the Managing Board or the Supervisory Board becomes vacant, the gender diversity aspect will be taken into account during the procedure of selection and appointment of the candidates.

During 2020, 29% of LeasePlan's Supervisory Board 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 persons or nominating persons for appointment to the Managing Board 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 systems is to adequately and effectively manage the risks associated with the strategy and activities of the company. In this respect the Managing Board has made an assessment of the design and effectiveness of the internal control and risk management systems, which is described in more detail below. On the basis of 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 2020;
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. It is also the case that evaluations of the effectiveness of internal control over financial reporting 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.

Governance

In view of all the above the Managing Board confirms that to the best of its knowledge the LeasePlan financial statements give a true and fair view of the position at the balance sheet date, the development and performance of the business during the financial year 2020 and the subsidiaries included in the financial statements, together with a description of the principal risks that LeasePlan is being confronted with.

Amsterdam, the Netherlands, 2021

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.

To validate and assure effectiveness, LeasePlan has already started in prior years with the implementation of control systems around identified processes. The design and roll out of controls for further processes is ongoing or planned and development or improvement of controls are a continuous effort.

Governance

The responsibility for identifying and managing risks lies with LeasePlan's entities. These entities are supported by our Group functions Risk Management and Privacy & Compliance and are periodically assessed by the Group Audit. Group Risk Management and Group Privacy & 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 setting up, 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 in the effectiveness of internal risk management and control systems, based on the results of several Risk Management Instruments like 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).

Next to control activities in operative entities the Group has a control framework in place which is continuously being improved and enhanced. Important components and activities of this framework at group level include:

- Business Control Reviews (BCRs): Due to the international network of subsidiaries, the Risk Management practices in all subsidiaries need to be aggregated to achieve a total overview of the risks in the Group. The objective of the BCRs is to regularly check and monitor whether all LeasePlan subsidiaries are acting according to group policies.
- LeasePlan has a uniform set of accounting and reporting principles applied throughout the Group based on its application of International Financial Reporting Standards. As part of our monitoring activities related to the Financial Control Framework, control deficiencies were identified, specifically related to the limitations of legacy IT systems and control documentation. Control deficiencies are remediated as part of the ongoing finance improvement processes.
- Letter of Representation: Managers of the entities submit a letter of representation emphasising the compliance with the uniform set of accounting and reporting principles.
- Entity Oversight: In order to obtain insight to 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 will take place to make sure that the local second line functions are aligned with the Group's second line functions.

Governance

- 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 level, with oversight by Group Risk Management. In order to have good insight in particular 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: 1) Gain insight in the maturity of local risk management practices and 2) assess regulatory compliance by adherence to global policies. Entities are challenged where necessary.
- 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 a 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 development 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 the LeasePlan Group, internal audits are performed by Group Audit 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 October to December 2020 the Dutch National Bank has performed an onsite assessment of the Internal Governance and risk management within LeasePlan in order to assess the risk management organisation. For further details, please refer to section 'Highlights 2020' of the Risk Management section of the Annual Report.

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Consolidated statement of profit or loss

for the year ended 31 December

In thousands of euros	Note	2020	2019
Operating lease income		4,135,553	4,155,570
Finance lease and Other interest income		117,109	134,669
Additional services income		2,420,954	2,524,832
Vehicle sales and End of contract fees		3,179,925	3,303,244
REVENUES	4	**9,853,541**	**10,118,314**
Depreciation cars		3,368,378	3,288,083
Finance cost		335,873	346,911
Unrealised (gains)/losses on financial instruments	14	298	14,623
Impairment charges on loans and receivables	5	76,319	31,065
Lease cost		3,780,869	3,680,683
Additional services cost		1,620,540	1,622,832
Vehicle and Disposal cost		3,138,156	3,232,765
DIRECT COST OF REVENUES	4	**8,539,566**	**8,536,280**
Lease services		471,793	609,556
Additional services		800,414	901,999
Profit/Loss on disposal of vehicles and End of contract fees		41,769	70,479
GROSS PROFIT	4	**1,313,975**	**1,582,035**
Staff expenses	6	597,348	614,540
Other operating expenses	7	341,915	316,080
Other depreciation and amortisation	8	123,961	183,544
TOTAL OPERATING EXPENSES		**1,063,224**	**1,114,164**
Share of profit of investments accounted for using the equity method	21	3,613	4,466
Other income	9	92	–
PROFIT BEFORE TAX		**254,456**	**472,337**
Income tax expenses	10	1,942	69,356
NET RESULT FOR THE PERIOD		**252,514**	**402,981**
Attributable to:			
Equity holders of parent		215,872	381,197
Holders of AT1 capital securities		36,898	21,784
Non-controlling interest		–257	–

Consolidated statement of comprehensive income

for the year ended 31 December

In thousands of euros	Note	2020	2019
NET RESULT		**252,514**	**402,981**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit reserve, before tax	*30*	1,484	–5,991
Income tax on post-employment benefit reserve	*10*	–801	1,778
SUBTOTAL CHANGES IN POST-EMPLOYMENT BENEFIT RESERVE, NET OF INCOME TAX		**683**	**–4,213**
Items that may be reclassified to profit or loss			
Changes in cash flow hedges, before tax		3,388	687
Cash flow hedges recycled from equity to profit or loss, before tax		–10	–4
Income tax on cash flow hedges	*10*	–828	–187
SUBTOTAL CHANGES IN CASH FLOW HEDGES, NET OF INCOME TAX	*10*	**2,550**	**496**
Exchange rate differences	*30*	–101,490	28,352
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX		**–98,257**	**24,635**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**154,256**	**427,616**
Comprehensive income attributable to:			
Owners of the parent		117,615	405,832
Holders of AT1 capital securities		36,898	21,784
Non-controlling interest		–257	–

Consolidated statement of financial position

as at 31 December

In thousands of euros	Note	2020	2019
ASSETS			
Cash and balances at central banks	12	5,169,103	4,828,356
Investments in debt securities		24,273	24,663
Receivables from financial institutions	13	671,264	638,579
Derivative financial instruments	14	171,054	102,636
Other receivables and prepayments	15	1,160,806	1,242,624
Inventories	16	615,976	644,721
Lease receivables from clients	18	3,136,556	3,388,054
Property and equipment under operating lease and rental fleet	19	18,886,423	19,340,074
Other property and equipment	20	387,705	392,935
Loans to investments accounted for using the equity method	17	175,500	163,500
Investments accounted for using the equity method	21	16,337	18,778
Intangible assets	22	262,785	203,387
Corporate income tax receivable		48,418	70,796
Deferred tax asset	23	288,696	229,150
Assets classified as held-for-sale	20	1,222	–
TOTAL ASSETS		**31,016,117**	**31,288,252**
LIABILITIES			
Trade and other payables and Deferred income	25	2,584,847	2,437,634
Borrowings from financial institutions	26	3,560,531	4,078,817
Derivative financial instruments	14	150,371	136,770
Funds entrusted	24	9,212,495	7,763,597
Debt securities issued	27	10,084,252	11,582,171
Provisions	28	561,911	522,335
Corporate income tax payable		39,180	65,377
Lease liabilities	20	308,140	296,289
Deferred tax liabilities	23	336,164	344,623
TOTAL LIABILITIES		**26,837,891**	**27,227,613**
EQUITY			
Share capital	29	71,586	71,586
Share premium	29	506,398	506,398
Other reserves	30	−141,382	−43,125
Retained earnings	31	3,243,734	3,027,862
EQUITY OF OWNERS OF THE PARENT		**3,680,335**	**3,562,720**
AT1 capital securities	32	497,937	497,919
Non-controlling interest	33	−47	–
TOTAL EQUITY		**4,178,225**	**4,060,639**
TOTAL EQUITY AND LIABILITIES		**31,016,117**	**31,288,252**

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 2019	**71,586**	**506,398**	**–67,760**	**2,811,834**	**3,322,058**	**–**	**–**	**3,322,058**
Net result	–	–	–	402,981	402,981	–	–	402,981
Transfer – accrued interest on AT1 capital securities	–	–	–	–21,784	–21,784	21,784	–	–
Other comprehensive income	–	–	24,635	–	24,635	–	–	24,635
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**24,635**	**381,197**	**405,833**	**21,784**	**–**	**427,616**
Interim dividend	–	–	–	–165,170	–165,170	–	–	–165,170
Proceeds AT1 capital securities	–	–	–	–	–	500,000	–	500,000
Issuance costs AT1 capital securities	–	–	–	–	–	–5,425	–	–5,425
Interest coupon paid on AT1	–	–	–	–	–	–18,440	–	–18,440
BALANCE AS AT 31 DECEMBER 2019	**71,586**	**506,398**	**–43,125**	**3,027,862**	**3,562,720**	**497,919**	**–**	**4,060,639**
BALANCE AS AT 1 JANUARY 2020	**71,586**	**506,398**	**–43,125**	**3,027,862**	**3,562,720**	**497,919**	**–**	**4,060,639**
Net result	–	–	–	252,771	252,771	–	–257	252,514
Transfer – accrued interest on AT1 capital securities	–	–	–	–36,898	–36,898	36,898	–	–
Other comprehensive income	–	–	–98,257	–	–98,257	–	–	–98,257
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–98,257**	**215,872**	**117,615**	**36,898**	**–257**	**154,256**
Incorporation of subsidiary with NCI	–	–	–	–	–	–	210	210
Interest coupon paid on AT1	–	–	–	–	–	–36,880	–	–36,880
BALANCE AS AT 31 DECEMBER 2020	**71,586**	**506,398**	**–141,382**	**3,243,734**	**3,680,335**	**497,937**	**–47**	**4,178,225**

Consolidated statement of cash flows

for the year ended 31 December

In thousands of euros	Note	2020	2019
Operating activities			
Net result		252,514	402,981
Adjustments			
Interest income and expense	4	218,765	212,242
Impairment charges on receivables	5	76,319	31,065
Valuation allowance on inventory		1,262	−5,410
Depreciation operating lease portfolio and rental fleet	19	3,491,199	3,398,932
Insurance expense		336,970	370,134
Depreciation other property plant and equipment	8	86,543	70,000
Amortisation and impairment on intangibles	8	36,904	113,544
Share of profit in equity accounted investments	21	−3,613	−4,466
Financial instruments at fair value through profit and loss	14	298	14,623
Income tax expense		1,942	69,356
Changes in			
Provisions		−295,688	−350,053
Derivative financial instruments		4,774	9,858
Trade and other payables and other receivables		589,533	−145,655
Inventories	16	231,853	207,291
Amounts received for disposal of objects under operating lease	19	2,652,268	2,599,174
Amounts paid for acquisition of objects under operating lease	19	−6,363,863	−7,736,560
Acquired new finance leases		−1,166,841	−1,421,412
Repayment finance leases		1,133,526	1,421,501
Income taxes received		28,486	10,954
Income taxes paid		−92,053	−110,256
Interest received		118,522	134,575
Interest paid		−339,350	−343,866
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**1,000,268**	**−1,051,447**

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	2020	2019
Investing activities			
Net investment in debt securities		390	46
Acquisition of subsidiary, net of cash acquired		–	–11,954
Loans provided to investments accounted for using the equity method	17	–94,000	–83,000
Redemption on loans to investments accounted for using the equity method	17	82,000	70,800
Dividend received from associates and jointly controlled entities	17	4,565	–
Changes in held-for-sale investments		–	776
Proceeds from sale of other property and equipment	20	20,339	28,226
Acquisition of other property and equipment	20	–51,153	–62,013
Acquisition of intangible assets	22	–97,340	–48,868
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**–135,199**	**–105,987**
Financing activities			
Receipt from receivables from financial institutions		816,271	777,561
Balances deposited to financial institutions		–766,955	–773,221
Receipt of borrowings from financial institutions	11	3,905,582	7,441,475
Repayment of borrowings from financial institutions	11	–4,297,847	–7,197,782
Receipt of funds entrusted	11	4,069,195	3,386,137
Repayment of funds entrusted	11	–2,620,307	–2,112,775
Receipt of debt securities	11	1,779,156	3,826,245
Repayment of debt securities	11	–3,206,506	–2,718,472
Payment of lease liabilities		–45,502	–39,692
Dividends paid to Company's shareholders		–	–165,170
Receipt AT1 Capital securities	32	–	494,575
Interest paid AT1 capital securities	32	–36,880	–18,440
NET CASH INFLOW FROM FINANCING ACTIVITIES		**–403,793**	**2,900,442**
CASH AND BALANCES WITH BANKS AS AT 1 JANUARY		**5,093,290**	**3,351,570**
Net movement in cash and balances with banks		461,276	1,743,008
Exchange gains/(losses) on cash and balances at banks		2,835	–1,288
CASH AND BALANCES WITH BANKS AS AT 31 DECEMBER	12	**5,557,401**	**5,093,290**

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 2020 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 through CarNext.com. At 31 December 2020, the Group employed 8,500 people worldwide and had offices over 30 countries. 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 is regulated by the Dutch Central Bank. As of 1 January 2021 LeasePlan is officially 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.
- **Broad Street Investments:** A Singapore based holding company.
- **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. GIC employs more than 1,300 people.
- **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 8.0 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 2020 were authorised for issue by the Managing Board on 9 March 2021. 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.

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 main estimates and underlying data and assumptions 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. 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.

General notes *continued*

for the year ended 31 December

2 BASIS OF PREPARATION *continued*

Due to the Covid-19 pandemic, the range of reasonably possible assumptions, underlying judgements and estimates has widened, which affected estimation uncertainty most significantly for the following estimates: expected credit losses on lease receivables from clients, impairment testing of goodwill, the valuation and impairment of property and equipment under operating lease and the valuation allowance for inventories. Disclosure of significant judgements and major sources of estimation uncertainty and related sensitivities are included in the specific notes to the statement of financial position.

New and amended standards adopted by the Group effective as from 1 January 2020

The following new or revised standards, amendments and interpretations to published standards became effective as per 1 January 2020 (and are endorsed by the EU). The impacts of those standards and new accounting policies implemented by the Group are disclosed below.

Interest Rate Benchmark Reform

As a result of phase 1 of the interest rate benchmark reform in September 2019, the amendments to IFRS 9 and IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" are effective as per 1 January 2020. Those amendments provide a number of reliefs, which are applied to all hedging relationships that are directly affected by interest rate benchmark reform. Those amendments have no impact on the financial statement for the financial year 2020.

A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The relief does not apply to other sources of uncertainties of cash flows.

The Group is in the process of the transition from the IBOR-based instruments to alternative reference rate (ARR) instruments, which will be finalised at the end of 2021. An implementation team is set up sponsored by the CFO and is led by senior representatives from functions amongst the Group including Strategic Finance, Legal, Finance, Risk and Operations. The implementation team performs periodic updates to the management.

The Group monitors further developments in these rates and determines the implications to the Group considering the impact on amongst others financial instruments, issued notes and the lease portfolio.

The Group is investigating and adapting to new regulations with respect to, but not limited to:

- The impact on financial instruments, derivatives, issued notes and the potential impact on future cash flows and discounting;
- Engaging with external financial institutions and counterparts to assess and source ARRs to its current contracts term sheets;
- Potential impact of the IBOR reform to collateral agreements;
- Investigation of local contracts in all countries;
- A legal review of all contracts in terms of contractual triggers, such as fallback events and their impact.

The Group evaluated the extent to which its hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2020.

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships that will be affected by IBOR reform, analysed by interest basis as at 31 December 2020. The derivative hedging instruments' nominal amount provides a close approximation to the extent of the risk exposure the Group manages through hedging relationships included in the derivative financial instruments in the statement of financial position.

Local currency amounts	Nominal amount (in million)	Average maturity (years)
Interest rate swaps		
CHF Libor	70	0.6
USD Libor	780	3.7

CHF Libor will be replaced by SARON, which is a pre-existing rate that was recommended as the alternative reference rate. CHF Libor is expected to cease after end of 2021. USD Libor is expected to be replaced by SOFR, which has been published since April 2018. USD Libor is expected to cease after end of 2021.

Other relevant significant interest rate benchmarks LeasePlan applies, like Euribor, BBSW, Nibor and Stibor, will continue to be available for the foreseeable future. Those rates will be calculated and administrated in accordance with the European Union Benchmarks Regulation requirements. This allows market participants to continue to use those reference rates for both existing and new contracts.

Other changes

The following other changes that became effective in 2020 do not have any significant impact on shareholders' equity nor comprehensive income or are not relevant to the condensed consolidated financial statements of the Group. Those changes relate to the following standards.

Standards endorsed by the EU and effective as per 1 January 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Definition of Material (issued on 31 October 2018).
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018).
- Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions (issued on 28 May 2020).

General notes *continued*

for the year ended 31 December

2 BASIS OF PREPARATION *continued*

New and amended standards issued that become effective after 1 January 2021

The following amendments to standards are not yet endorsed by the EU and become effective as per 1 January 2021. Those changes relate to:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current (issued on 23 January 2020). The IASB has issued an exposure draft to defer the effective date from 1 January 2022 to 1 January 2023.
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (issued 14 May 2020).
- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

These changes are not expected to have a significant impact on shareholders' equity nor comprehensive income of the Group.

Most relevant new and amended standards issued that become effective after 2021

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 standards have not yet been EU endorsed and will be effective after 1 January 2023.

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 is deferring 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).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period.
- 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.
- A simplified premium allocation approach (PAA) 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 PAA is quite similar to current accounting under IFRS 4 for non-life products.
- 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 is currently assessing the impact on shareholders' equity and comprehensive income of IFRS 17, and as such is not able to quantify its impact yet, nor specify any policy choice that will be made.

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*** – Impairments.

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.

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 or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss under the caption 'Finance lease and other interest income', except when deferred in other comprehensive income as qualifying cash flow hedges.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Foreign operations

The results and financial position of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into euro (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.

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 debt 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.

Financial assets and financial liabilities at fair value through profit or loss

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.

Derivatives are categorised as fair value through profit or loss. Reference is made to ***Note D*** – Derivative financial instruments and hedge accounting.

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 'Unrealised gains/losses on financial instruments' in the statement of profit or loss.

Financial assets measured at amortised cost

Financial assets are initially measured at fair value and subsequent 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.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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 ventures 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 significantly 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.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 default definition used for credit risk management purposes. The Group defines a default as: any counterparty that is either unable to fulfil its obligations (irrespective of the amount involved or the number of days outstanding), or when counterparties are over 90 days in arrears unless judgement determines that collection is probable, or local judgement determines that there is a reasonable chance that the amount will not be collected.

In applying this definition, the following information may serve as evidence that a financial asset is credit impaired:

- Contract breach such as a default or past due event;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The borrower faces a significant financial difficulty due to disappearance of an active market.

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.

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 multiyear 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 using the low credit risk assumption. At each reporting date, the Group assesses the appropriateness of this exemption.

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'.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

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 that are observable for the asset of liability, either directly or indirectly. 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 cashflows, or forecasted cashflows 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 cashflows 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.

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.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

As the hedging period always matches the period of life-time 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 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.

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. Expenditure on development of software is recognised as an asset 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. 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.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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.

Due to the implementation of IFRS 16 as from 1 January 2019, the Group recognised on the balance sheet the right-of-use relating to the underlying asset and the lease liability raised from the obligation to make lease payments. The right-of-use 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.

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 recognised is 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 and rental fleet

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.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The carrying amount of property and equipment under operating lease and rental fleet is depreciated to its estimated residual value during the lease term or the useful life of the asset. Depreciation is recognised in the statement of profit or loss.

The operating lease instalments are recognised in the financial statements on a straight-line basis over the lease term. The instalments are classified and presented in the 'Operating lease income' revenue category of the statement of profit or loss.

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 there will be a settlement invoiced to the customer and part of 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, may share a portion of any positive upside potential resulting from the exploitation of 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) returned to the client. Most contracts contain certain requirements that the client must fulfil to receive 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 leased assets are depreciated on a straight-line basis over the estimated useful life (normally the contract period for operating leases) to their estimated recoverable amount (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). 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.

Note J – Inventories

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 indictors 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.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 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.

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.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Annually 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.

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 benefits 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.

Income related to services surrounding open calculation contracts is not certain until final settlement takes place. As such, 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 due to Covid-19 pandemic

In 2020 LeasePlan has granted payment deferral to customers that had difficulties meeting the payment terms due to Covid-19. 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 and points, 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 annually 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 for preparing this statement.

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.

General notes *continued*

for the year ended 31 December

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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 primary 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.

The Group identified the secondary reportable segment information based on type of business divided between Car-as-a-Service (CaaS) and CarNext.com. CaaS for new cars comprises a variety of lease and additional services. CarNext.com is selling on a commission basis LeasePlan's own 3-4 year-old used cars to business customers (B2B) and private consumers (B2C), as well as opening these services to third parties.

CarNext.com revenue from external customers comprise sales commissions of cars sold for third parties and ancillary service income. CarNext.com revenue from transactions with CaaS segment largely relates to commissions paid by CaaS to CarNext.com for preparing cars for sale, selling cars (B2B and B2C), as well as generating used-car lease leads. B2C commissions are dependent upon the additional value realised.

The direct cost of revenue incurred by CarNext.com largely comprises retail preparation costs and de-fleeting costs reported as part of profit/loss on disposal of vehicles in the statement of profit or loss. Operating expenses are allocated based on specific identifiable use, such as dedicated staff to CarNext.com, dedicated marketing campaigns or dedicated facility costs. Overhead expenses are not allocated to CarNext.com.

Income tax expense on CarNext.com is allocated based on the weighted average of the local tax rates

CaaS revenue comprises leasing income, additional service income and profit/loss on disposal of vehicles & end of contract fees from external customers. CaaS direct cost of revenues comprises leasing cost, additional service cost and profit/loss on disposal of vehicles and disposal cost. Costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities, are allocated to the CaaS segment only.

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.

In 2020, the Covid-19 pandemic has significantly impacted these estimates and assumptions which have been updated accordingly. This includes key sources of estimation uncertainty, which were investigated in more depth as disclosed in the specific notes to the statement of financial position.

Assumptions and estimation uncertainties at 31 December 2020 include, but are not limited to, the following areas:

Impairment of goodwill and intangible assets

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 22*** 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 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 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 20*** 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 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 universe, the Group recognises ten categories of risk: asset risk, treasury risk, credit risk, motor insurance risk, operational risk, information risk, strategic risk, legal risk, compliance risk, and reputation risk. Of the ten risk categories, asset risk, treasury risk, credit risk, operational risk and information risk are considered to be primary risks. Information risk is disclosed in the Non-financial Risk Management section 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

On 1 January 2014 the EU's adoption of the third Basel capital accord (Basel III) was implemented, by means of the Capital Requirements Regulation (Regulation No 575/2013). The Group reports its capital metrics and risk exposures under this framework, 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 Dutch Central Bank (DNB). 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 DNB; based on the latest estimates the Group will remain above the minimum CET1 and TC requirement.

The Capital Contingency Plan (CCP) is an important element within the capital risk management framework and sets out the strategies for addressing stress on capital in emergency situations (tactical level). The CCP enforces readiness of the Group's organisation to deal with events of severe stress originated from both company specific and market-wide events. The CCP 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 CCP 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 CCP sets the framework for managing the risk of a loss of confidence due to existing or expected capital adequacy issues. To that end, the CCP 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 CCP strengthens and broadens the scope of the monitoring processes of the capital adequacy of the Group and ensures immediate reporting of any irregularities in capital ratios. The capital position is monitored and reported monthly. In addition, the Group has developed a set of Early Warning Indicators ('EWI') that comprise several events which would prompt immediate action. 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.

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 December 31	2020	2019
TOTAL IFRS EQUITY	**4,178,225**	**4,060,639**
Results for the year	–215,872	–381,197
Interim dividend paid	–	165,170
AT1 capital securities	–497,937	–497,919
Non-controlling interest	47	–
TOTAL IFRS EQUITY EXCLUDING RESULTS, INTERIM DIVIDEND PAID, AT1 CAPITAL SECURITIES AND NON-CONTROLLING INTEREST	**3,464,463**	**3,346,693**
Eligible results for year net of interim dividend	180,131	216,028
Regulatory adjustments	–341,046	–301,193
COMMON EQUITY TIER 1 CAPITAL	**3,303,549**	**3,261,528**
Additional Tier 1 capital	494,575	494,575
TOTAL CAPITAL	**3,798,124**	**3,756,103**

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	2020	2019
Total risk exposure amount	19,735,342	18,388,611
Common Equity Tier 1 capital	3,303,549	3,261,528
COMMON EQUITY TIER 1 RATIO	**16.7%**	**17.7%**
Total capital	3,798,124	3,756,103
TOTAL CAPITAL RATIO	**19.2%**	**20.4%**

[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 2020 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 and a Risk 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 SVP Risk Management can independently decide to escalate risk related issues to the chairman of the Risk Committee of the Supervisory Board. During the majority of the year the CRO role was vacant, and this responsibility was entrusted to the CFO.

Risk committees

The Managing Board is supported by several committees: The Group Risk Committee (GRC), the Group Tactical Risk Committee (GTRC), the Group Model Risk Committee (GMRC) and the Asset and Liability Committee (ALCO). The GRC has delegated certain authorities to subcommittees, such as the Combined Risk & Pricing Committee (CRPC). The CRPC's main tasks are to take decisions on the credit proposals exceeding the authority of the Underwriting team and to decide on pricing and profitability proposals.

The main task of the GRC is to enable controlled risk taking and ensure regulatory compliance. The key mandate and purpose of the GTRC is to monitor risk exposures and emerging risks in compliance with the risk appetite. The GMRC has a delegated authority to oversee the Group risk models in the domain of credit risk, asset risk, operational risk, strategic risk and stress testing. The ALCO has a delegated authority to take decisions in the field of funding strategy, liquidity management, capital allocation and structuring. The objective of the regulatory committee is to centralise regulatory discussions within the organisation and allow all relevant senior management to (i) align on regulatory topics and priorities so that there are no gaps in knowledge within the organisation, (ii) discuss the selection and prioritisation of regulatory projects and matters and (iii) communicate with/task their respective teams with specific regulatory goals.

D. Risks

Asset risk

Asset risk definition

The Group defines asset risk as the combination of residual value risks and risks on RMT services. Residual value risk is considered the main risk and is defined as the Group's exposure to potential losses due to the resale value of assets declining below the estimates made at lease inception minus risk mitigation. 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 risk related to RMT is the Group's exposure to potential loss due to the actual costs of the services, repair and maintenance and tyres (over the entire contractual period) exceeding the estimates made at lease inception.

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 within its organisation for asset risk management, the minimum standards for the management and mitigation of both risks related to the RV market and non-market related risks, and the mandatory frequency of asset risk measurement and reporting. The asset risk management policy is applicable to all Group companies and focuses on all leases (finance or operating) that may expose the Group to market price 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 managing director in which the local management team as well as all other relevant disciplines involved in the asset risk management process 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.

Asset risk measurement

The asset risk profile and exposure of the Group's portfolio is monitored (locally and centrally) throughout the term of the lease contracts: starting at lease inception, following it through its term up to lease termination. Measuring the asset risk position over the life of the lease contracts enables tracing developments in the various asset risk components and identifying adverse trends, as well as ensuring that the risk position remains within the Group's risk appetite.

The Group monitors the asset risk exposure and its pricing level against current and expected future market development on a continuous basis and adjusts its residual values for new leases accordingly. New leases are originated in general for original terms of three to four years, but are in practice also regularly adjusted during the term of the lease as part of interim contract adjustments.

On a quarterly 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 existing lease portfolio for future years using a globally harmonised methodology, assessing the current contracted portfolio against the latest expectations regarding future market prices.

The Group has a number of 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.

Asset risk exposure

The Group is currently exposed to residual value risk in 31 countries, with Canada as the only exception. This geographical diversification, in conjunction with being an independent multi-brand company with 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:

	2020	2019
Residual value	13,524,810	13,508,031

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 the Group is not able to meet its obligations for (re)payments. 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. The Group's risk appetite for treasury risks is low.

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 Group's central Treasury or bi-lateral funding with third-party banks. A Fund 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.

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 mainly is intercompany funding supplied by Group's central Treasury;
- 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 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.

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.

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 2020, 30.2% (2019: 33.6%) 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. 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 Group's CET1 ratio. In regulatory risk management a currency shock will shift TREA and CET1 capital in the opposite direction.

In order to manage its currency risk, the Group has defined triggers and limits on the overall risk exposure, being the sum of all absolute deviations between the local capital ratios and the Group's capital ratio and a trigger on the underlying absolute deviation between the local capital ratios in comparison to the Group's capital ratio..

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.

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.

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.

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	24	6,408,841	1,719,161	1,084,399	94	9,212,495
Trade payables	25	877,340				877,340
Borrowings from financial institutions	26	591,907	1,208,749	1,759,875	–	3,560,531
Debt securities issued	27	978,540	2,018,633	6,969,850	117,229	10,084,252
Future payments (interest and commitments fees)		48,767	127,637	268,072	20,433	464,908
Lease liabilities		11,740	35,220	163,897	119,493	330,350
TOTAL AS AT 31 DECEMBER 2020		**8,917,135**	**5,109,400**	**10,246,092**	**257,249**	**24,529,877**

FINANCIAL LIABILITIES	Note	0 – 3 months	3 – 12 months	1 – 5 years	>5 years	Total
Funds entrusted	24	5,372,188	1,455,887	935,395	127	7,763,597
Trade payables	25	855,428				855,428
Borrowings from financial institutions	26	697,179	889,192	2,492,445	–	4,078,817
Debt securities issued	27	264,072	2,824,177	8,271,787	222,135	11,582,171
Future payments (interest and commitments fees)		61,766	147,064	298,942	27,569	535,341
Lease liabilities		11,023	32,279	145,340	115,790	304,433
TOTAL AS AT 31 DECEMBER 2019		**7,261,657**	**5,348,599**	**12,143,910**	**365,621**	**25,119,787**

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	−4,023	−10,351	68,504	16,115	70,246
Currency swaps inflows	3,708,097	412,795	347,657	4,177	4,472,726
Currency swaps outflows	−3,752,107	−407,056	−350,037	−3,696	−4,512,895
TOTAL AS AT 31 DECEMBER 2020	**−48,032**	**−4,613**	**66,124**	**16,597**	**30,076**

	0 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
Interest rate swaps/forward rate agreements	−111	−6,499	19,778	20,351	33,519
Currency swaps inflows	3,586,593	433,875	558,669	–	4,579,136
Currency swaps outflows	−3,609,196	−448,526	−563,264	–	−4,620,985
TOTAL AS AT 31 DECEMBER 2019	**−22,714**	**−21,150**	**15,183**	**20,351**	**−8,330**

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	2020	2019
Unencumbered cash at banks	561	475
Unencumbered cash at Dutch Central Bank	5,075	4,753
TOTAL ON BALANCE LIQUIDITY BUFFER	**5,635**	**5,228**
Committed facilities*	1,500	1,500
TOTAL	**7,135**	**6,728**

**2019 amount has been corrected.*

The Group holds a revolving credit facility with a consortium of 12 banks (EUR 1.5 billion) maturing in November 2022. During 2020 no amounts were drawn under this facility.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

The Dutch 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 2020, under regulatory assumption, the Group held enough liquidity to continue business as usual during the most severe stress scenario for a minimum period of nine months.

Interest rate risk measurement

In 2020, the Group improved its IRRBB (Interest Rate Risk arising from the Banking Book) model for measuring its interest rate risk. The equity at risk parameter was further enhanced via an updated stressed outflow of Non Maturing Deposits (NMDs), where the main update reflecting on the earnings at risk parameter was the change from a static in 2019 to a dynamic balance sheet assumption in 2020.

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 updated IRRBB model takes into account Lease client behaviour instead of the contractual interest rate risk profile. The Group continues to investigate 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 all matured assets and liabilities are repriced from a fixed rate to a one month floating rate. Further the Group assumes that the margin on top of the interest rate component for assets and liabilities is not sensitive to interest rate movements.

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)	**2020**	**2019**
EFFECT WITHIN 1 YEAR		
-200 bps	9.4	21.9
+200 bps	–9.4	–21.9
EFFECT WITHIN 2 YEARS		
-200 bps	33.5	72.0
+200 bps	–33.7	–72.0

The impact of a gradual movement in interest rates on the Group's profitability is as follows:

	Equity at risk	
	2020	**2019**
-200 bps	192.1	166.4
+200 bps	–177.0	–153.0

Due to the Group's estimated overall cash flow profile, an increase in market rates has a negative impact on equity. The movement between the periods is mainly the result from the abovementioned model updates in combination with changes in the underlying cash flow profiles of Group entities; the impact resulting from the development in market rates is relatively stable.

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 2020:

	EUR	GBP	USD	AUD	TRY	Other currencies	Total
Cash and balances at central banks	5,169,101	–	–	–	–	2	5,169,103
Investments in debt securities	24,273	–	–	–	–	–	24,273
Receivables from financial institutions	538,289	37,486	1,077	24,011	1,073	69,327	671,264
Derivatives – long	3,603,543	2,268	31,767	35,251	–	484,891	4,157,721
Interest to be received	1,356	–	–	–	–	44	1,400
Rebates and bonuses & commissions receivable	226,395	9,154	9,051	552	535	22,644	268,331
Reclaimable damages	35,185	–	–	–	856	4,406	40,447
Lease receivables from clients	892,514	440,557	1,164,720	307,281	4,340	327,144	3,136,556
Investments in equity accounted investments	16,337	–	–	–	–	–	16,337
Loans to other third parties	473	347	–	–	–	5,037	5,857
Loans to equity accounted investments	175,500	–	–	–	–	–	175,500
NON-FINANCIAL ASSETS	**14,431,814**	**2,497,007**	**434,582**	**458,389**	**249,169**	**3,265,035**	**21,335,996**
TOTAL ASSETS	**25,114,780**	**2,986,820**	**1,641,198**	**825,483**	**255,973**	**4,178,530**	**35,002,784**
Funds entrusted	9,211,608	–	–	–	–	887	9,212,495
Total derivatives – short	581,625	2,065,433	550,849	6,181	84,145	848,807	4,137,038
Trade payables	596,649	42,608	22,571	34,014	33,019	148,478	877,340
Interest payable	59,781	84	3,395	187	66	11,053	74,565
Borrowings from financial institutions	2,323,083	1,368	37,023	105,696	10,087	1,083,274	3,560,531
Lease liabilities	202,446	10,582	17,809	12,221	527	64,555	308,140
Debt securities issued	7,444,260	326,205	727,570	377,944	–	1,208,273	10,084,252
NON-FINANCIAL LIABILITIES	**485,640**	**553,576**	**285,118**	**301,979**	**132,686**	**811,196**	**2,570,197**
TOTAL LIABILITIES	**20,905,093**	**2,999,856**	**1,644,335**	**838,222**	**260,530**	**4,176,523**	**30,824,559**
Net position (excl. net invest. in subsidiaries)	4,209,687	−13,036	−3,137	−12,739	−4,557	2,007	4,178,225
CURRENCY POSITION		**318,307**	**166,686**	**164,475**	**95,488**	**518,152**	
Net investment in subsidiaries		331,343	169,823	177,215	100,045	516,145	
Other positions		−13,036	−3,137	−12,739	−4,557	2,007	

As at 31 December 2019:

	EUR	GBP	USD	AUD	TRY	Other currencies	Total
Non-financial assets	14,339,641	2,722,803	495,712	488,488	126,239	3,537,837	21,710,719
TOTAL ASSETS	**24,720,692**	**3,277,543**	**1,889,852**	**815,271**	**134,736**	**4,956,750**	**35,794,844**
Non-financial liabilities	496,784	525,968	269,891	272,179	23,218	848,299	2,436,341
TOTAL LIABILITIES	**20,714,218**	**3,263,764**	**1,889,026**	**821,258**	**98,538**	**4,947,381**	31,734,184
Net position (excl. net invest. in subsidiaries)	4,006,475	13,779	826	−5,987	36,198	9,369	4,060,660
CURRENCY POSITION		**321,128**	**163,116**	**157,807**	**164,499**	**557,630**	
Net investment in subsidiaries		307,349	162,290	163,794	128,301	548,260	
Other positions		13,779	826	−5,987	36,198	9,369	

Non-financial assets have been corrected for 2019.

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 49.1 million (2019: EUR 44.4 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).

	2020		2019	
	Net open position	Currency shock	Net open position	Currency shock
Great British Pound ("GBP")	331.3	5.5	326.3	5.4
United States Dollar ("USD")	169.8	0.9	162.3	1.0
Australian Dollar ("AUD")	161.6	7.2	151.1	7.5
Turkish Lira ("TRY")	118.3	7.8	128.3	6.8
Other[1]	469.1	27.7	528.3	23.7
TOTAL	**1,250.1**	**49.1**	**1,296.3**	**44.4**

[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 that a counterparty will not be able to fulfil its financial obligations when due. 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.

For purposes of assessing, recognising and reporting defaults, the Group defines a default as: any customer that is considered unable to pay its credit obligations is considered to be in default (irrespective of the amount involved or the number of days outstanding). Next to this, customers are considered to be in default when they comply with all of the following rules:

- Arrears over 90 days, in combination with
- Local judgement

The local judgement is the result of an internal assessment with regard to arrears to establish whether the customer is unable to pay and will be phased out in January 2021. From 2021, a customer will be reported as default as prescribed by the guidelines on the application of the definition of default. Based on this definition, a default of a customer shall be registered when either one or both of the following events occur:

- The LP entity considers the customer unlikely to pay ('UTP'); and/or
- The customer is past due on any material credit obligation for more than 90 consecutive days.

This new (stricter) definition of default will lead to an increase in defaulted customers. However, the impact on our provision level is expected to be limited given that the increase in defaults will be triggered by the second bullet. For these customers, provision levels are expected to be in line with the current provisioning for customers that have material overdue amounts.

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.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

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

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.

As mentioned above, as of 2021 the Group will declare a client in default as prescribed by the CRR/CRD definition. As a result of this, the AIRB models mentioned above will be adjusted in 2021.

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 special attention list and a watch list, which are 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 quarterly basis to the Group's Risk Committee and on a monthly basis to the Group's Tactical 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, equally, puts in place acceptance criteria for reinsurance of motor insurance risks. The Group's treasury risk management monitors the exposures, against the approved limits, on an ongoing basis.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

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, Group (Tactical) Risk Committee, the Risk Committee of the Supervisory Board 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 and rental fleet) 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

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	573,699	59,220	38,345	671,264
Lease receivables from clients	886,199	752,712	1,497,645	3,136,556
Rebates and bonuses and commissions receivable	226,395	31,263	10,673	268,331
Reclaimable damages	35,185	5,012	250	40,447
TOTAL AS AT 31 DECEMBER 2020	**1,721,478**	**848,207**	**1,546,913**	**4,116,598**

	Member states of the European Union (euro)	Member states of the European Union (non-euro)	Rest of the world	Total
Receivables from financial institutions	521,772	95,809	20,999	638,579
Lease receivables from clients	844,128	833,963	1,709,963	3,388,054
Rebates and bonuses and commissions receivable	298,192	46,956	13,159	358,307
Reclaimable damages	38,331	6,492	1,133	45,956
TOTAL AS AT 31 DECEMBER 2019	**1,702,423**	**983,220**	**1,745,253**	**4,430,896**

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

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	671,264	–	–	–	–	–	671,264
Rebates and bonuses and commissions receivable	–	268,331	–	–	–	–	268,331
Reclaimable damages	40,447	–	–	–	–	–	40,447
Lease receivables from clients	190,058	770,737	334,491	360,387	54,613	1,426,270	3,136,556
TOTAL AS AT 31 DECEMBER 2020	**901,769**	**1,039,068**	**334,491**	**360,387**	**54,613**	**1,426,270**	**4,116,598**
Receivables from financial institutions	638,579	–	–	–	–	–	638,579
Rebates and bonuses and commissions receivable	–	358,307	–	–	–	–	358,307
Reclaimable damages	45,956	–	–	–	–	–	45,956
Lease receivables from clients	179,279	893,534	382,617	270,984	64,761	1,596,879	3,388,054
TOTAL AS AT 31 DECEMBER 2019	**863,814**	**1,251,841**	**382,617**	**270,984**	**64,761**	**1,596,879**	**4,430,896**

By credit rating

The table below summarises the credit rating of the most relevant financial assets of the Group:

	2020			
	Not credit impaired (12-months ECL)	Not credit impaired (Lifetime ECL)	Credit impaired	Total
RECEIVABLES FROM FINANCIAL INSTITUTIONS				
AAA-A	644,370			644,370
BBB – B	14,405			14,405
Other	12,879			12,879
LEASE RECEIVABLES FROM CLIENTS				
AAA-A		1,177,670	709	1,178,379
BBB-B		1,394,350	15,382	1,409,732
CCC-C		404	247	651
Other		574,338	51,723	626,061
Loss allowance	–390	–16,841	–61,425	–78,656
CARRYING AMOUNT	**671,264**	**3,129,921**	**6,636**	**3,807,821**

	2019			
	Not credit impaired (12-months ECL)	Not credit impaired (Lifetime ECL)	Credit impaired	Total
RECEIVABLES FROM FINANCIAL INSTITUTIONS				
AAA-A	577,549			577,549
BBB-B	15,129			15,129
Other	46,292			46,292
LEASE RECEIVABLES FROM CLIENTS				
AAA-A		912,026	726	912,752
BBB-B		1,747,113	5,239	1,752,352
CCC-C		928	18	946
Other		736,795	25,011	761,806
Loss allowance	–390	–12,020	–27,782	–40,192
CARRYING AMOUNT	**638,580**	**3,384,842**	**3,212**	**4,026,633**

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Operational risk

Operational risk definition

Operational risk involves the risk of a positive, negative or potential loss resulting from inadequate or failed internal processes, human behaviour and systems or from external incidents. Business continuity risk, financial reporting risk, model risk and HR risk are within the scope of LeasePlan's operational risk management. Legal, compliance, information risk and reputational risks are covered, managed and investigated under individual separate frameworks.

Standardised Approach

Operational risk is included under the Pillar 1 capital and Total Risk Exposure Amount on the Standardised Approach (STD). In December 2019, LeasePlan formally requested approval from DNB regarding the shift from AMA to the STD approach, which was approved by DNB to be applied per 1 January 2020. The decision to move to the STD approach was also made knowing that AMA will be replaced by the STD in the near future for all institutions with a banking licence.

In 2020, under Pillar 1 the operational risk regulatory capital requirement is EUR 203.3 million (for 2019 based on AMA: EUR 121.2 million; based on STD: EUR 207.3 million).

Operational risk management structure and organisation

The Group's operational risk policy, as set by the Managing Board, states that local management is responsible for managing the operational risks in their local entity. In all local entities a formal operational risk management role is in place. This function 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 collation and 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 Group Tactical Risk Committee on a monthly basis and on a quarterly basis to the Group Risk Committee and Risk Committee of the Supervisory Board. This report includes the operational risk position of the Group.

Operational risk loss reporting

To ensure that operational risk losses are consistently reported and monitored at Group level, the local entities are required to report all operational risk incidents above the amount of EUR 1,000 (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).

Risk mitigation

The overall impact of the mitigating activities is assessed by analysing the frequency and impact of operational losses prior to and after implementation of the additional controls. Once it is established that certain controls have a distinguishable effect on the impact or frequency of the identified operational risks, it is the task of the Group's Risk management department to communicate and advise Group companies with similar risks about the additional controls.

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 all local entities.

Material risks for LeasePlan

Group Risk ensures the Managing Board and the Supervisory Board are made aware of all material risk developments. Within LeasePlan, the risk types as included in the Risk Type Universe are considered on an integrated basis. The Risk Function is responsible for aggregating these risk types and providing an integral view.

In accordance with the disclosure requirements of Regulation (EU) 575/2013 part eight section 4.3, paragraph 9 institutions should disclose information on their risk management objectives and policies for the following risks where material for the institution:

(a) Reputational risk;

(b) Any specific objectives and policies set out for the subcategory of operational risks that are related to conduct, including risks related to the mis-selling of products

As part of the Risk Management domain, Privacy & Compliance aims to support LeasePlan's strategy by enabling controlled risk taking. Privacy & Compliance safeguards LeasePlan's integrity and reputation and helps protect against financial loss and reputational damage. This is achieved by integrating privacy and compliance in daily business activities and strategic planning processes, as well as challenging and assisting the business and promoting awareness at all levels. For further details regarding reputational risk reference is made to the Privacy & Compliance Risk section in the Annual Report.

The Privacy & Compliance Charter set-out the requirements within LeasePlan related to external conduct and employee conduct and internal culture. The overall objective is to provide all employees of LeasePlan with a clear and comprehensive overview elements of sound Privacy & Compliance risk management and apply it in our daily business approach.

As such, the Privacy & Compliance Charter and Framework describe how the role of the Privacy Function and the Compliance Function is embedded in LeasePlan, to help the business understand its role in relation to privacy & compliance and to detail the approach LeasePlan uses to manage its compliance risk.

Furthermore, it is LeasePlan's objective to provide products and services which meet market demand, are compliant with the most relevant laws and regulations and duty of care will be applied. Given the nature of its business, LeasePlan uses a risk-based approach. To safeguard the development of (new) products and the systematic review of existing products in accordance with the Group's commercial strategy, the interest of the client, the Group's risk appetite, policies and applicable laws and regulations, approval is required of a Product Approval and Review Committee that supervises correct compliance with regard to the rules regarding new products.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

Operational risk measurement

During 2020, the Group recorded 2,259 operational risk incidents (1,203 incidents with a gross impact above EUR 1,000) with a total net impact of EUR 19.4 million in 2020 (EUR 107.3 million in 2019). The total net impact amount was higher in 2019 because it included a loss of EUR 92 million which related to the decision to stop further development of the Core Leasing System project.

The majority of the operational risk incidents recorded (83% from the total amount and 81% of the total number) are classified in the event category 'Execution: Delivery and Process Management'. The absolute impact of external fraud incidents decreased by half over the year while compared to the total amount for 2020 a relative increase can be seen in terms of impact. The distribution of the Group's operational risk incidents is as follows:

	2020		2019	
Basel category	**% total (EUR)**	**% total (nr)**	**% total (EUR)**	**% total (nr)**
Business Disruption and System Failures	3%	5%	1%	2%
Clients: Products and Business Practices	11%	9%	2%	11%
Damage to Physical Assets	0%	1%	0%	1%
Employment Practices and Workplace Safety	0%	0%	0%	0%
Execution: Delivery and Process Management	83%	81%	96%	82%
External Fraud	3%	4%	1%	4%
Internal Fraud	0%	0%	0%	0%
TOTAL	**100%**	**100%**	**100%**	**100%**

Motor insurance risk

The Group arranges multi-national insurance programmes to protect all 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 exposure to potential loss, due to costs related to damages incurred by drivers insured by the Group, exceeding the premiums paid for insurance coverage. This risk consists of long-tail risks (e.g. motor third party liability and legal defence) and short-tail risks (e.g. motor material damage and passenger indemnity).

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) 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 up to prescribed coverage limits 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 Group (Tactical) Risk Committee and shared with the Managing Board and the Risk Committee of the Supervisory Board.

Risk management *continued*

All amounts are in thousands of euros, unless stated otherwise

D. Risks *continued*

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 motor insurance risk function within all Group entities, which is independent from the insurance pricing department, and 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.

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.

Annually, Group entities, Group Risk and the Group Insurance agree a Country Based Risk Appetite (CoBRA) for motor insurance risk, for each entity, in which a loss ratio limit for motor insurance risk, against which entities are monitored, is defined for the forthcoming year.

Specific notes

All amounts are in thousands of euros, unless stated otherwise

1 Covid-19 impact

The Covid-19 pandemic has and currently still is causing significant disruption in the global economy. In response to this pandemic, numerous governments imposed various levels of restrictions on personal movement and closed sections of the economy. This crisis has impacted LeasePlan through the disruption of the global vehicle and parts supply chain, financial strain on our customers and suppliers, decreased demand for new vehicles, decreasing asset values, increasing credit losses, potential impact on our employees' health and productivity, and disruption of capital markets.

Below are the most significant effects of Covid-19 on the financial statement of LeasePlan for the year 2020:

- **Core leasing business** – In April and May, the continuing disruption to the OEM supply chain led to a postponement in new vehicle procurement, slowing down our serviced fleet growth and reducing rebates and bonuses on new vehicle purchases. From June, we saw a recovery in new vehicle deliveries as dealers and factories opened-up and experienced a rebound in order activations during the last quarters of 2020, despite a second wave of national lock-downs in Q4.

  During 2020 LeasePlan took an additional impairment on operating lease assets of EUR 47.4 million assuming residual values and used-car sales prices would have been negatively impacted by the Covid-19 crisis. An amount equal to EUR 8.1 million of this allowance has been used related to terminated contracts by the end of the year. Operating lease assets impairments for the year also includes an amount of EUR 32.6 million impairment from book value losses on early terminated cars from defaulted customers.

  Please refer to ***Note 19*** – Property and equipment under operating lease and rental fleet for more information.

- **Customer credit portfolio** – As a result of the Covid-19 pandemic, LeasePlan has updated the ECL calculations for non credit impaired lease receivables with revised macro-economic projections of Gross Domestic Product, unemployment rates and central bank interest rates for each relevant country with the latest available data. The Group applied a weighting of the base scenario, optimistic scenario and pessimistic scenario that is relevant in each country. These updated calculations resulted in an additional ECL allowance for non credit impaired lease receivables of EUR 4.8 million compared to the calculations based on the assumptions applied as at 31 December 2019.

  The increase of EUR 33.6 million in the ECL allowance for credit impaired lease receivables is mostly caused by an increased number of defaulting customers impacted by Covid-19.

  Information about our updated assessment of forward looking scenarios, including critical assumptions, parameters and related sensitivities, is disclosed in ***Note 18*** – Lease receivables from clients and ***Note 19*** – Property and equipment under operating lease and rental fleet.

  Furthermore, LeasePlan received customer requests for payment relief measures, for both finance and operating lease contracts, which mainly were assessed on a case-by-case basis and were only partially granted. To date, most customers are on track with their adjusted payment schedule with only 6% considered in default by the end of 2020.

- **Used-car market** – The pandemic caused high levels of disruption to the functioning of used-car markets from March to May, as many markets were effectively shut and others experienced abruptly reduced levels of demand and dislocations to used-car prices. From June, we have seen the used-car market recovering faster than expected to pre-Covid levels or beyond as B2B and B2C business activities resumed. In November and December, a second wave of country lockdowns resulted in temporary CarNext.com store closures causing lower business activity, however used-car pricing remained stable.

  The valuation allowance for used-car inventory booked in 2020 for EUR 37.5 million was reduced by EUR 34.8 million during the year (of which EUR 32.8 million utilised and EUR 1.9 million reversed). The updated assessment on forward looking scenarios we have adopted as of 31 December 2020 to determine the valuation of cars on stock, the valuation of operating lease assets and related impairments, including critical assumptions and sensitivities, is disclosed in ***Note 16*** – Inventories and ***Note 19*** – Property and equipment under operating lease and rental fleet.

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. The amount of government subsidies for 2020 consists mainly of a deduction for Italy of EUR 103.9 million (2019: EUR 157.9 million), with a tax incentive of EUR 24.9 million (2019: EUR 37.9 million), and in a deduction for Netherlands of EUR 3.2 million (2019: EUR 6.2 million), with a tax incentive of EUR 0.8 million (2019: EUR 1.5 million).

2020

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. PowerD B.V.	Holding Finance/Treasury services Holding Leasing Digital business & services Holding Smart charging services	1,578	1,281,596	−113,607	49,390
UNITED KINGDOM	LeasePlan UK Limited	Leasing	544	1,136,381	53,937	−8,217
ITALY	LeasePlan Italia S.p.A.	Leasing	525	1,119,625	28,393	15,973
FRANCE	LeasePlan France S.A.S. PLease S.C.S.[1]	Leasing	468	746,341	35,502	−5,149
SPAIN	LeasePlan Servicios S.A.	Leasing	467	590,906	31,937	−7,936
GERMANY	LeasePlan Deutschland GmbH	Leasing	426	746,493	21,339	−6,986
AUSTRALIA	LeasePlan Australia Limited	Leasing	339	303,874	21,514	−6,500
BELGIUM	LeasePlan Fleet Management N.V. Bizz Nizz BVBA	Leasing Digital business & services	267	434,403	37,408	−9,058
PORTUGAL	LeasePlan Portugal Comericio e Aluguer de Automobeis e Equipamentos Uniperssoal Lda. CNEXT Marketplace PT, Unipessoal LDA	Leasing Used Cars	417	460,472	13,135	−3,934
NORWAY	LeasePlan Norge A/S CarNext.com NO AS	Leasing Used Cars	138	318,505	14,310	−3,148
UNITED STATES	LeasePlan USA Inc.	Leasing	545	335,709	30,721	−7,733
SWEDEN	LeasePlan Sverige AB	Leasing	133	207,598	715	−140
FINLAND	LeasePlan Finland Oy	Leasing	98	201,938	10,494	−2,102
AUSTRIA	LeasePlan Osterreich Fuhrparkmanagement GmbH Flottenmanagement GmbH[1]	Leasing	168	179,861	−8,347	2,493
SWITZERLAND	LeasePlan (Schweiz) AG	Leasing	64	83,360	−936	−354
DENMARK	LeasePlan Danmark A/S	Leasing	116	233,594	2,801	−1,553
POLAND	LeasePlan Fleet Management (Polska) Sp.z.o.o.	Leasing	185	208,441	−13,741	3,062
CZECH REPUBLIC	LeasePlan Ceska republika s.r.o.	Leasing	161	184,590	−7,826	1,430
NEW ZEALAND	LeasePlan New Zealand Limited	Leasing	86	89,071	5,678	−1,596
IRELAND	Euro Insurances DAC LeasePlan Information Services Limited LeasePlan Fleet Management Services (Ireland) Limited	Motor insurance Information services Leasing	247	137,744	80,930	−10,432
LUXEMBOURG	LeasePlan Luxembourg S.A. LeasePlan Global Procurement	Leasing Central procurement services	75	80,223	−48,864	11,567
GREECE	LeasePlan Hellas S.A.	Leasing	148	147,495	19,348	−4,638
BRAZIL	LeasePlan Brasil Ltda.	Leasing	99	72,018	10,550	−3,899
HUNGARY	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	94	83,855	3,687	−889

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 SRL LeasePlan Service Center S.R.L	Leasing Administration Services	275	66,009	–4,228	667
SLOVAKIA	LeasePlan Slovakia s.r.o.	Leasing	62	63,443	2,339	–494
INDIA	LeasePlan India Private Limited	Leasing	76	71,549	–20,156	7,711
MEXICO	LeasePlan Mexico S.A. de C.V.	Leasing	154	65,993	7,734	–3,163
RUSSIA	LeasePlan Rus LLC	Leasing	64	37,912	5,152	–1,324
TURKEY	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	175	164,541	32,997	–4,989
UNITED ARAB EMIRATES	LeasePlan Emirates Fleet Management LeasePlan Emirates LLC[1]	Leasing	–	–	1,676	–
MALAYSIA	LP Fleet Management Sdn. Bhd. (liquidated in 2020)	Leasing	–	–	–140	–
TOTAL AS AT 31 DECEMBER			**8,195**	**9,853,541**	**254,456**	**–1,942**

[1] *Investments accounted for using the equity method.*

2019

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.	Holding Financial/Treasury services Holding Leasing Digital business & services Used cars	1,347	1,224,223	–166,221	49,938
UNITED KINGDOM	LeasePlan UK Limited	Leasing	541	1,166,347	32,529	–4,352
ITALY	LeasePlan Italia S.p.A.	Leasing	532	1,138,438	47,917	19,377
FRANCE	LeasePlan France S.A.S. PLease S.C.S.[1]	Leasing	437	740,266	44,875	–15,533
SPAIN	LeasePlan Servicios S.A.	Leasing	453	593,796	56,982	–13,936
GERMANY	LeasePlan Deutschland GmbH	Leasing	426	764,183	26,097	–9,385
AUSTRALIA	LeasePlan Australia Limited	Leasing	346	357,585	21,309	–6,463
BELGIUM	LeasePlan Fleet Management N.V. Bizz Nizz BVBA	Leasing Digital business & services	256	452,474	51,625	–15,246
PORTUGAL	LeasePlan Portugal Comericio e Aluguer de Automobeis e Equipamentos Uniperssoal Lda.	Leasing	389	475,031	33,332	–9,095
NORWAY	LeasePlan Norge A/S	Leasing	130	314,060	17,885	–3,936
UNITED STATES	LeasePlan USA Inc.	Leasing	533	423,550	36,034	–8,824
SWEDEN	LeasePlan Sverige AB	Leasing	104	191,555	13,224	–2,839
FINLAND	LeasePlan Finland Oy	Leasing	90	192,651	14,874	–2,977
AUSTRIA	LeasePlan Osterreich Fuhrparkmanagement GmbH Flottenmanagement GmbH[1]	Leasing Leasing Leasing	169	192,242	–14,925	3,325
SWITZERLAND	LeasePlan (Schweiz) AG	Leasing	60	89,627	1,011	–875
DENMARK	LeasePlan Danmark A/S	Leasing	105	239,690	11,304	–2,064
POLAND	LeasePlan Fleet Management (Polska) Sp.z.o.o.	Leasing	173	189,248	–27,231	5,535
CZECH REPUBLIC	LeasePlan Ceska republika s.r.o.	Leasing	165	176,132	14,705	–2,841
NEW ZEALAND	LeasePlan New Zealand Limited	Leasing	74	101,699	7,230	–2,221
IRELAND	Euro Insurances DAC LeasePlan Information Services Limited LeasePlan Fleet Management Services (Ireland) Limited	Motor Insurance Information services Leasing	229	142,311	68,231	–8,787

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
LUXEMBOURG	LeasePlan Luxembourg S.A. LeasePlan Global Procurement	Leasing Central procurement services	79	87,167	58,053	–14,950
GREECE	LeasePlan Hellas S.A.	Leasing	127	134,084	23,412	–5,984
BRAZIL	LeasePlan Brasil Ltda.	Leasing	97	93,383	13,687	–3,972
HUNGARY	LeasePlan Hungaria Gempjarmupark Kezelo es Finanscirozo Zartkoru Reszvenytarsasag	Leasing	86	81,071	4,990	–765
ROMANIA	LeasePlan Romania SRL LeasePlan Service Center S.R.L.	Leasing Administration Services	273	70,942	3,857	–577
SLOVAKIA	LeasePlan Slovakia s.r.o.	Leasing	57	62,997	4,047	–858
INDIA	LeasePlan India Private Limited	Leasing	81	74,108	–915	6,189
MEXICO	LeasePlan Mexico S.A. de C.V.	Leasing	156	76,379	7,736	–2,133
RUSSIA	LeasePlan Rus LLC	Leasing	64	45,549	4,040	–1,167
TURKEY	LeasePlan Otomotiv Servis ve Ticaret A.S.	Leasing	156	227,525	60,051	–13,939
UNITED ARAB EMIRATES	LeasePlan Emirates Fleet Management LeasePlan Emirates LLC[1]	Leasing	–	–	2,614	–
MALAYSIA	LP Fleet Management Sdn. Bhd.	Leasing	–	–	–20	–
TOTAL AS AT 31 DECEMBER			**7,736**	**10,118,314**	**472,337**	**–69,356**

[1] *Investments accounted for using the equity method.*

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.

Primary segments

The Group identified Europe and Rest of the world as reportable segments. 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.

Rest of the world

Geographies in this segment are Australia, Brazil, India, Mexico, New Zealand and the United States.

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	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Serviced fleet (in thousands) at period end	1,442	1,460	410	405	1,852	1,865
REVENUES	**8,920**	**8,998**	**933**	**1,120**	**9,854**	**10,118**
Finance lease and Other interest income	58	56	59	78	117	135
Finance cost	254	238	81	109	336	347
Car and other depreciation and amortisation	3,125	3,107	263	271	3,387	3,377
Underlying taxes	39	94	14	18	53	112
UNDERLYING NET RESULT	**358**	**480**	**48**	**77**	**406**	**557**
Total assets	27,514	27,302	3,502	3,986	31,016	31,288
Total liabilities	23,871	23,786	2,967	3,441	26,838	27,228

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

3 Segment information *continued*

The table below presents information about the major countries in which the Group is active. The Netherlands is the domicile country of the Group.

	FTEs (average)		Underlying Revenues		Lease Contracts	
	Units		In millions of euros		In millions of euros	
Country of activity	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Netherlands	1,578	1,347	1,282	1,224	2,831	2,811
United Kingdom	544	541	1,136	1,166	2,733	2,954
Italy	525	532	1,120	1,138	1,922	1,931
Other	5,547	5,315	6,316	6,589	13,958	14,294
AS AT 31 DECEMBER	**8,195**	**7,736**	**9,854**	**10,118**	**21,444**	**21,990**

Secondary segments

The Group identified two secondary reportable segments, Car-as-a-Service (CaaS) and CarNext.com.

CaaS and CarNext.com business models are disclosed in our business paragraph of this Annual Report.

	CaaS		CarNext		I/C eliminations		Total	
In millions of euros	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
REVENUES	**9,836**	**10,111**	**138**	**120**	**–121**	**–112**	**9,854**	**10,118**
Underlying cost of revenues	–8,418	–8,540	–102	–82	121	112	–8,399	–8,510
Underlying lease and additional services gross profit	1,377	1,534	–	–	2	4	1,379	1,538
Profit/(loss) on disposal of vehicles and End of contract fees gross profit	41	36	37	38	–2	–4	76	70
UNDERLYING GROSS PROFIT	**1,418**	**1,571**	**36**	**38**	**–**	**–**	**1,454**	**1,609**
Underlying operating expenses	–856	–841	–143	–103	–	–	–999	–944
Share of profit in equity accounted investments	4	4	–	–	–	–	4	4
UNDERLYING PROFIT BEFORE TAX	**566**	**734**	**–107**	**–66**	**–**	**–**	**459**	**669**
Underlying tax	–80	–129	27	17	–	–	–53	–112
UNDERLYING NET RESULT	**486**	**605**	**–80**	**–49**	**–**	**–**	**406**	**557**
Underlying adjustments	–127	–140	–27	–14	–	–	–153	–154
REPORTED NET RESULT	**359**	**466**	**–107**	**–63**	**–**	**–**	**253**	**403**
Total allocated assets	30,814	31,147	216	157	–14	–15	31,016	31,288
Total allocated liabilities	26,685	27,126	166	117	–14	–15	26,838	27,228

The segment reporting is based on a commission model, whereby CarNext.com acts as a sales agent for LeasePlan CaaS in 23 countries for the sales of used cars that are coming off lease contracts. CarNext.com generates revenues through commissions on cars sold, used-car lease (UCaaS) and ancillary services. For B2C, commissions are dependent upon the additional value realised versus B2B trader pricing. Commission rates are set at market rates on an arms-length basis. The vehicles CarNext.com sells on behalf of LeasePlan's CaaS business remain the property of LeasePlan CaaS until sold by CarNext.com.

Identified assets and directly attributable costs in cost of sales (e.g. defleeting cost and car preparation cost) and operating expenses (e.g. cost related to staff, facilities, digital/IT and marketing) are allocated to CarNext.com. Costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities, are allocated to the CaaS segment only.

Income tax is allocated based on a blend of statutory rates from the 23 countries in which CarNext.com has operations. The CarNext.com and CaaS segments are integral parts of the Group's legal and fiscal entities and as such the losses in CarNext.com segment can be compensated by the profits in the CaaS segment.

LeasePlan CaaS continues to report the full revenue of the used cars sold by CarNext.com. The commission paid to CarNext.com is reported in cost of sales.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

3 Segment information *continued*

In the operating expenses of CarNext an amount of EUR 21.8 million is included related to set-up costs (2019: EUR 18.7 million). These costs are excluded from the Underlying net result as they are considered distinct from regular operating activities.

All intercompany transactions between LeasePlan CaaS and CarNext.com are eliminated for consolidated purposes.

The balance sheet of CarNext.com includes directly attributable assets and liabilities of CarNext B.V, IFRS 16 leases (buildings, compounds and equipment), intangible assets, IT equipment, other fixed assets and allocated working capital.

Total allocated assets include EUR 102 million for IFRS 16 leases (2019: EUR 75 million), EUR 18 million for other fixed assets (2019: EUR 23 million) and EUR 33 million intangible assets (2019: EUR 30 million). Total allocated liabilities consist of EUR 109 million IFRS 16 lease liabilities (2019: EUR 76 million) and working capital.

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, 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 2020 and 2019 is included in the tables below:

	IFRS results 31 December 2020	Underlying adjustments			Underlying results 31 December 2020
		Restructuring and other special items[1]	Unrealised results on financial instruments	Asset impairments and valuation allowance[2]	
REVENUES	**9,853,541**				**9,853,541**
DIRECT COST OF REVENUES	8,539,566	–	–20,050	–120,307	8,399,208
GROSS PROFIT	**1,313,975**	**–**	**20,050**	**120,307**	**1,454,332**
Total operating expenses	1,063,224	–44,498		–19,277	999,449
Other income	92				92
Share of profit of investments accounted for using the equity method	3,613				3,613
PROFIT BEFORE TAX	**254,456**	**44,498**	**20,050**	**139,584**	**458,588**
Income tax expenses	1,942	9,478	6,447	34,979	52,846
NET RESULT ATTRIBUTABLE TO OWNERS OF THE PARENT	**252,514**	**35,020**	**13,603**	**104,605**	**405,742**

[1] *Includes professional consultancy costs related to CarNext.com (EUR 21.8 million) and other consulting (EUR 22.7 million) for a total of EUR 44.5 million before tax (EUR 35.0 million after tax).*

[2] *Includes operating lease assets impairment (EUR 85.6 million), valuation allowance of inventory (EUR 34.7 million) as this amount significantly increased due to the Covid-19 market disruption which is clearly distinct from the regular operating performance (for that reason comparatives have not been restated) and impairments (EUR 19.3 million) including right-of-use assets (EUR 14.7 million related to office/retail buildings) and (in)tangible assets (EUR 4.6 million) for a total of EUR 139.6 million before tax (EUR 104.6 million after tax).*

	IFRS results 31 December 2019	Underlying adjustments			Underlying results 31 December 2019
		Restructuring and other special items[1]	Unrealised results on financial instruments	Asset impairments and valuation allowance[2]	
REVENUES	**10,118,314**				**10,118,314**
DIRECT COST OF REVENUES	8,536,280	–13,683	–14,623	1,678	8,509,651
GROSS PROFIT	**1,582,035**	**13,683**	**14,623**	**–1,678**	**1,608,663**
Total operating expenses	1,114,164	–77,828		–92,000	944,335
Share of profit of investments accounted for using the equity method	4,466				4,466
PROFIT BEFORE TAX	**472,337**	**91,511**	**14,623**	**90,322**	**668,794**
Income tax expenses	69,356	21,849	3,083	18,001	112,289
NET RESULT ATTRIBUTABLE TO OWNERS OF THE PARENT	**402,981**	**69,662**	**11,541**	**72,321**	**556,505**

[1] *Includes a RMT contract cost adjustment in LPUK (EUR 13.7 million), restructuring and consultancy costs related to the CLS (EUR 59.1 million) and CarNext.com BU set up programs (EUR 18.7 million) for a total of EUR 91.5 million before tax (EUR 69.7 million after tax).*

[2] *Includes operating lease assets net impairment release (EUR 1.7 million) and CLS impairment (EUR 92 million) for a total amount of EUR 90.3 million before tax (EUR 72.3 million after tax).*

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.

	2020	2019
Operating lease income	4,135,553	4,155,570
Finance lease and other interest income	117,109	134,669
Additional services income	2,420,954	2,524,832
Vehicle sales and End of contract fees	3,179,925	3,303,244
REVENUES	**9,853,541**	**10,118,314**

Finance lease and other interest income includes an amount of EUR 11.2 million (2019: EUR 9.8 million) related to Other interest income.

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 705.6 million (2019: EUR 709.8 million) related to 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	2020	2019
Depreciation cars		3,275,413	3,289,761
Impairment operating lease assets*	19	92,966	−1,678
Finance cost		335,873	346,911
Unrealised (gains)/losses on financial instruments		298	14,623
Impairment charges on loans and receivables		76,319	31,065
LEASE COST		**3,780,869**	**3,680,683**
Additional services cost		1,620,540	1,622,832
Vehicle and Disposal costs		3,138,156	3,232,765
DIRECT COST OF REVENUES		**8,539,566**	**8,536,280**

** 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 vehicles sales income)

The gross profit (revenues less cost of revenues) can be shown as follows:

	Note	2020	2019
Lease services		565,057	622,501
Impairment operating lease assets*	19	−92,966	1,678
Unrealised gains/(losses) on financial instruments		−298	−14,623
LEASE		**471,793**	**609,556**
Fleet management and other services		185,678	288,636
Repair and maintenance services		280,845	315,972
Damage services and Insurance		333,890	297,391
ADDITIONAL SERVICES		**800,414**	**901,999**
End of contract fees		135,503	143,619
Profit/(loss) on disposed vehicles (PLDV)		−93,734	−73,140
PROFIT/(LOSS) ON DISPOSED VEHICLES AND END OF CONTRACT FEES		**41,769**	**70,479**
GROSS PROFIT		**1,313,975**	**1,582,035**

** 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:

	2020	2019
Operating lease – interest income	705,569	709,781
Finance lease and other interest income	117,109	134,669
Finance cost	–335,873	–346,911
NET INTEREST INCOME	**486,804**	**497,538**
Unrealised gains/(losses) on financial instruments	–298	–14,623
Impairment charges on loans and receivables	–76,319	–31,065
NET FINANCE INCOME	**410,187**	**451,850**

5 Impairment charges on loans and receivables

Net impairment charges can be detailed as follows:

	Note	2020	2019
LEASE RECEIVABLES FROM CLIENTS			
Net charge		77,265	30,828
Recovery after write-off		–1,161	–2,290
SUBTOTAL IMPAIRMENT LEASE RECEIVABLE FROM CLIENTS	*18*	**76,104**	**28,539**
Other		241	–25
		76,345	**28,513**
Reclaimable damages		771	1,269
Rebates and bonuses		–797	1,282
TOTAL IMPAIRMENT CHARGES ON LOANS AND RECEIVABLES		**76,319**	**31,065**

6 Staff expenses

	2020	2019
Wages and salaries	456,035	436,071
Social security charges and taxes	68,863	67,048
Defined contribution pension costs	24,942	22,814
Defined benefit post-employment costs	2,787	2,732
Other staff expenses	44,720	85,875
TOTAL	**597,348**	**614,540**

The average number of staff (FTEs) employed (including temporary staff) by the Group at the end of the year was 8,195 (2019: 7,736), of whom 1,578 (2019: 1,347) were employed in the Netherlands. At 31 December the total number of staff employed by the Group was 8,413 (2019: 7,956).

The breakdown of pension and post-employment costs is as follows:

	Note	2020	2019
Current service cost	*28*	2,555	2,289
Interest expense/(income)	*28*	210	391
Curtailments and settlements	*28*	22	52
Defined benefit post-employment costs		2,787	2,732
Defined contribution pension costs		24,942	22,814
TOTAL PENSION AND POST-EMPLOYMENT COSTS		**27,730**	**25,546**

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:

	2020	2019
Professional services expenses	239,784	223,988
Facilities	30,871	32,251
Marketing and sales	48,128	39,915
Other general and administrative expenses	23,132	19,925
TOTAL	**341,915**	**316,080**

Increased professional services expenses are mainly driven by higher investments in LeasePlan Digital (LPD) for the development of projects (which include LPD general projects, Next Generation Digital Architecture (NGDA), IT Excellence, Customer Journey) amounting to EUR 13 million in 2020. Marketing and sales increased in the performance marketing area of CarNext B.V. Other general and administrative expenses also include travel and entertainment expenses and non-profit related tax.

8 Other depreciation and amortisation

	Note	2020	2019
Depreciation and impairment other property and equipment	*20*	87,057	70,000
Amortisation intangible assets	*22*	33,772	21,544
Impairment charges intangible assets	*22*	3,131	92,000
TOTAL		**123,961**	**183,544**

During the second quarter of 2019, LeasePlan determined that its main IT system development project, the Core Leasing System (CLS), was not fit for purpose in the emerging digital world in which the Company operates. As a consequence, CLS was restructured and existing CLS initiatives were ceased. An impairment loss of EUR 92 million was recognised for the related intangible assets.

CLS related IT development costs for an amount of EUR 13 million are still carried at cost on the balance sheet. These are separately developed IT modules that are still expected to generate economic benefits in the future.

In 2020, a total amount of EUR 19.7 million has been recognised as impairment charge, of which EUR 3.1 million is related to IT projects and EUR 16.6 million for right-of-use assets related to office and CarNext.com retail buildings and other tangible fixed assets. Please refer to ***Note 20*** – Other property and equipment for the disclosure related to the impairment recognised on right-of-use assets.

9 Other income

In the financial year 2020 other income includes the gain on the voluntary liquidation of the Group's subsidiary LeasePlan Fleet Management Sdn. Bhd. (Malaysia) for an amount of EUR 0.1 million.

10 Income tax expenses

The income tax expenses in the statement of profit and loss can be shown as follows:

	2020	2019
Current tax		
Current tax on profits for the year	72,202	112,461
Adjustments in respect of prior years	−4,817	−7,903
TOTAL CURRENT TAX	**67,385**	**104,559**
Deferred tax		
Origination and reversal of temporary differences	−51,456	−28,419
Changes in tax rates	−13,772	−175
Adjustments in respect of prior years	−214	−6,608
TOTAL DEFERRED TAX	**−65,443**	**−35,202**
TOTAL	**1,942**	**69,356**

The revaluation of LeasePlan's deferred tax positions in certain countries are caused by changes in tax rates, primarily France, the Netherlands and Turkey.

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 charge of EUR 3.2 million (2019: tax credit of EUR 7.7 million) and (ii) a tax credit of EUR 3.1 million mainly due to adjustments in respect of prior years (2019: a tax charge of EUR 0.3 million).

Further information on deferred tax assets and liabilities is presented in ***Note 23***.

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 (25.0%) of the parent and is as follows:

	%	2020	%	2019
PROFIT BEFORE TAX:		**254,456**		**472,337**
Tax calculated at domicile country nominal tax rate	25.0%	63,614	25.0%	118,084
Effect of different tax rates in foreign countries		–6,996		3,104
WEIGHTED AVERAGE TAXATION	**22.3%**	**56,618**	**25.7%**	**121,188**
Income not subject to tax		–36,580		–42,306
Expenses not deductible for tax purposes		707		5,160
Changes in tax rates		–13,772		–175
Adjustments in respect of prior years:				
Current tax		–4,817		–7,903
Deferred tax		–214		–6,608
TOTAL EFFECTIVE TAXATION	**0.76%**	**1,942**	**14.7%**	**69,356**

The weighted average of the local tax rates applicable to the Group for 2020 is 22.3% (2019: 25.7%), which is lower than the domicile country nominal tax rate of 25.0% predominantly as a result of the fact that the Group realises on average relatively more profits in jurisdictions with a tax rate lower than 25.0%.

Income not subject to tax over 2020 includes the effect of the temporary tax facility in Italy resulting in extra fiscal depreciation on new investments and the deduction of interest on the AT1 instrument.

The tax charge/credit relating to components of other comprehensive income is as follows:

	2020			2019		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	3,378	–828	2,550	683	–187	496
Post-employment benefit reserve	1,484	–801	683	–5,991	1,778	–4,213
Exchange rate differences	–101,490	–	–101,490	28,352	–	28,352
TOTAL	**–96,628**	**–1,629**	**–98,257**	**23,044**	**1,591**	**24,635**

11 Cash flow statement supplementary information

Changes in liabilities arising from financing activities are shown in the table below.

		Movements in 2020				
	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	*26*	3,868,848	–392,265	–88,268	–	3,388,314
Funds entrusted	*24*	7,763,597	1,448,887	11	–	9,212,495
Debt securities issued	*27*	11,582,171	–1,427,350	–128,015	57,445	10,084,252

		Movements in 2019				
	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	*26*	3,619,366	243,693	5,788	–	3,868,848
Funds entrusted	*24*	6,490,204	1,273,362	31	–	7,763,597
Debt securities issued	*27*	10,449,447	1,107,773	20,940	4,012	11,582,171

Please note that for Borrowings from financial institutions, the supplemental cash flow information excludes call money and bank overdrafts (see ***Note 12***).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

12 Cash and balances at central banks

The breakdown of cash and balances at central banks for the purpose of the statement of cash flows is as follows:

	Note	2020	2019
Cash and balances at central banks		5,169,103	4,828,356
Deposits with banks		380,617	310,116
Call money, cash at banks	*13*	179,897	164,787
Bank overdrafts	*26*	−172,216	−209,969
BALANCE AS AT 31 DECEMBER FOR THE PURPOSE OF THE STATEMENT OF CASH FLOWS		**5,557,401**	**5,093,290**

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 94 million (2019: EUR 76 million) form part of the 'Cash and balances at central banks'.

The Cash and balances at central banks increased over the period, mainly as a consequence of the Group's activities of securing the liquidity position during 2020.

The average interest rate on the outstanding cash and balances at central banks is −0.5% (2019: −0.5%).

13 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	2020	2019
Deposits with banks		380,617	310,116
Call money, cash at banks	*12*	179,897	164,787
Cash collaterals deposited for securitisation transactions		63,957	79,492
Cash collaterals deposited for derivative financial instruments		43,095	80,421
Other cash collateral deposited		3,697	3,763
BALANCE AS AT 31 DECEMBER		**671,264**	**638,579**

The cash collateral deposited for securitisation transactions relates to the Bumper securitisation transactions; reference is made to the Financial risk section (treasury risk). 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 0.2% (2019: 0.1%).

The receivables from financial institutions all reside in Stage 1, there is no significant increase in credit risk as at 31 December 2020. The provision for expected credit losses amounts to EUR 0.4 million (2019: EUR 0.4 million).

The maturity analysis is as follows:

	2020	2019
Three months or less	612,412	566,447
Longer than three months, less than a year	9,792	38,904
Longer than a year, less than five years	48,840	33,000
Longer than five years	220	228
BALANCE AS AT 31 DECEMBER	**671,264**	**638,579**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

14 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 excluding the de-designation adjustment which for 2020 is nil (2019: EUR 0.3 million).

Hedging instruments

	31 December 2020						
	Notional amounts	Fair value		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
		Assets	Liabilities				
FAIR VALUE HEDGE							
Interest rate swaps	5,625,472	109,259	2,410	50,815			−2,678
Cross currency swaps/forwards	148,811	1,194	4,570	2,037			−262
CASH FLOW HEDGES							
Interest rate swaps	771,608	32	2,778	3,388	3,379	5,321	−10
TOTAL DERIVATIVES IN HEDGE	**6,545,891**	**110,486**	**9,758**	**56,240**	**3,379**	**5,321**	**−2,950**
Interest rate swaps	21,379,122	14,038	70,591	−17,354	–	–	–
Cross currency swaps/forwards	4,155,032	46,530	70,022	19,986	–	–	–
TOTAL DERIVATIVES NOT IN HEDGE	**25,534,154**	**60,568**	**140,613**	**2,632**	**–**	**–**	**–**
TOTAL	**32,080,045**	**171,054**	**150,371**	**58,872**	**3,379**	**5,321**	**−2,950**

	31 December 2019						
	Notional amounts	Fair value		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
		Assets	Liabilities				
FAIR VALUE HEDGE							
Interest rate swaps	6,222,934	73,867	18,810	6,434	–	–	1,936
Cross currency swaps/forwards	316,602	–	20,411	−387	–	–	3
CASH FLOW HEDGES							
Interest rate swaps	1,333,783	195	6,456	799	799	3,088	−4
TOTAL DERIVATIVES IN HEDGE	**7,873,319**	**74,062**	**45,677**	**6,846**	**799**	**–**	**1,935**
Interest rate swaps	22,231,224	13,475	52,570	−13,689	–	–	–
Cross currency swaps/forwards	4,234,730	15,099	38,522	−3,207	–	–	–
TOTAL DERIVATIVES NOT IN HEDGE	**26,465,954**	**28,574**	**91,092**	**−16,896**	**–**	**–**	**–**
TOTAL	**34,339,274**	**102,636**	**136,770**	**−10,050**	**799**	**3,088**	**1,935**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

14 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 2020	Notional amounts	Fair value Assets	Fair value Liabilities	Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH* adjustment included in the carrying amount	Amount of FVH* adjustment included in the carrying amount ceased to be adjusted as gains/losses	CFH* reserve from hedge relationships (continuing hedges)	CFH* reserve from hedge relationships (hedge accounting is no longer applied)
FAIR VALUE HEDGE								
Interest rate swaps	5,625,472	–	5,754,995	–53,493	–101,417	–	–	–
Cross currency swaps/forwards	142,437	–	145,404	–2,299	–1,686	–	–	–
CASH FLOW HEDGES								
Interest rate swaps	–	–	–	–	–	–	1,308	–
TOTAL DERIVATIVES IN HEDGE	**5,767,909**	**–**	**5,900,399**	**–55,792**	**–103,103**	**–**	**1,308**	**–**

31 December 2019	Notional amounts	Fair value Assets	Fair value Liabilities	Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH* adjustment included in the carrying amount	Amount of FVH* adjustment included in the carrying amount ceased to be adjusted as gains/losses	CFH* reserve from hedge relationships (continuing hedges)	CFH* reserve from hedge relationships (hedge accounting is no longer applied)
FAIR VALUE HEDGE								
Interest rate swaps	6,222,934	–	6,288,782	–4,498	–47,924	–	–	–
Cross currency swaps/forwards	294,724	–	296,002	389	613	–	–	–
CASH FLOW HEDGES								
Interest rate swaps	–	–	–	–	–	–	3,859	–
TOTAL DERIVATIVES IN HEDGE	**6,517,658**	**–**	**6,584,784**	**–4,109**	**–47,311**	**–**	**3,859**	**–**

** FVH Fair value hedge – CFH Cash flow hedge.*

15 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.

	2020	2019
Rebates and bonuses and commissions receivable	268,331	358,307
Prepaid lease related expenses	417,973	411,739
VAT and other taxes	133,247	163,468
Reclaimable damages	40,447	45,956
Other prepayments and accrued income	185,496	184,189
Interest to be received	1,400	1,409
Reinsurance assets	30,868	22,053
Other receivables	83,045	55,503
BALANCE AS AT 31 DECEMBER	**1,160,806**	**1,242,624**

Balances written-off from other receivables were not significant for the years 2020 and 2019.

The Expected Credit Losses for Rebates and bonuses and commission receivable, Reclaimable damages and Reinsurance assets amounts to EUR 7 million (2019: EUR 9 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

16 Inventories

	Note	2020	2019
Cars and trucks from terminated lease contracts	*19*	402,286	427,877
Valuation allowance		−9,148	−8,117
CARRYING AMOUNT CARS AND TRUCKS FROM TERMINATED LEASE CONTRACTS		**393,138**	**419,760**
New cars and trucks in stock	*19*	183,063	168,028
Other inventories		39,775	56,932
BALANCE AS AT 31 DECEMBER		**615,976**	**644,721**

The Covid-19 pandemic has caused high levels of disruption to the functioning of used-car markets across the world, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices. Compared to 31 December 2019 the valuation allowance for inventory increased by EUR 1.0 million to EUR 9.1 million, or 2.3% 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 main movements related to the valuation allowance are disclosed in ***Note 1*** – Covid-19 impact.

The write down is booked on the Vehicle and Disposal costs report line in the Direct cost of revenues.

The sensitivity to an additional 1% decline in used-car prices will translate into EUR 1.5 million additional allowance for inventory. The 1% decline is not a linear variable.

17 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:

	2020	2019
Loans deposited	175,500	163,500
CARRYING AMOUNT AS AT 31 DECEMBER	**175,500**	**163,500**

	2020	2019
Three months or less	16,500	18,000
Longer than three months, less than a year	55,500	62,000
Longer than a year, less than five years	103,500	83,500
BALANCE AS AT 31 DECEMBER	**175,500**	**163,500**

No impairment recognised in 2020 (nil in 2019).

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 180 million (2019: EUR 165 million) of which EUR 175.5 million (2019: EUR 163.5 million) is drawn as at 31 December.

18 Lease receivables from clients

This item includes amounts receivable under lease contracts and trade receivables, after deduction of allowances for impairment, where necessary.

	2020	2019
Amounts receivable under finance lease contracts	2,575,086	2,662,336
Trade receivables	650,217	771,704
Impairment	−88,747	−45,986
BALANCE AS AT 31 DECEMBER	**3,136,556**	**3,388,054**

The maturity analysis is as follows:

	2020	2019
Three months or less	1,027,553	1,161,452
Longer than three months, less than a year	780,726	814,808
Longer than a year, less than five years	1,399,523	1,443,030
Longer than five years	17,502	14,750
Impairment	−88,747	−45,986
BALANCE AS AT 31 DECEMBER	**3,136,556**	**3,388,054**

Reference to the fair value of the receivables is made in ***Note 36*** – 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 88.7 million (2019: EUR 46.0 million) includes EUR 10.5 million (2019: EUR 6.2 million) related to invoices under commercial disputes and EUR 78.3 million (2019: EUR 39.8 million) of expected credit loss (ECL) recognised under IFRS 9.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

18 Lease receivables from clients *continued*

Impairment allowance

The ECL allowances include lifetime expected credit losses amounting to EUR 16.8 million (year-end 2019: EUR 12.0 million) for non-credit impaired lease receivables and EUR 61.4 million (year-end 2019: EUR 27.8 million) for credit impaired lease receivables. In 2020, changes in the ECL allowance mainly relate to net remeasurements on existing contracts and ECL on new contracts recognised during the period. The increase in the ECL allowance for credit impaired lease receivables is mainly caused by an increased number of customers defaulting impacted by Covid-19.

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 2019	**11,878**	**24,317**	**36,195**
Transfers (credit impaired vs non-credit impaired)	−41	41	–
Increases due to origination and acquisition of lease contracts	3,989	–	3,989
Decreases due to derecognition of lease contracts	−1,897	−7,983	−9,881
Changes due to change in credit risk (net remeasurement)	21	29,471	29,492
Changes due to modifications without derecognition (net)	−4,583	−2	−4,585
Decrease in allowance due to write-offs	–	−5,844	−5,844
Currency translation adjustments and other	2,653	−12,218	−9,565
BALANCE AS AT 31 DECEMBER 2019	**12,020**	**27,782**	**39,803**
Transfers (credit impaired vs non-credit impaired)	−262	262	–
Increases due to origination and acquisition of lease contracts	5, 153	–	5,153
Decreases due to derecognition of lease contracts	−2,136	−12,699	−14,835
Changes due to change in credit risk (net remeasurement)	− 5,934	69,210	63,276
Changes due to modifications without derecognition (net)	−8	280	271
Decrease in allowance due to write-offs	–	−35,758	−35,758
Currency translation adjustments and other	8,008	12,348	20,356
BALANCE AS AT 31 DECEMBER 2020	**16,841**	**61,425**	**78,266**

The following table provides information on the changes in gross carrying values of lease receivables.

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 2019	**3,291,149**	**30,048**	**3,321,197**
Transfers between stages	−15,103	15,103	–
Additions	1,360,340	–	1,360,340
Terminated contracts	−699,900	−4,260	−704,160
Redemptions	−656,872	−770	−657,643
Write-offs	–	−17,320	−17,320
Currency translation adjustments	53,495	145	53,640
Other movements	69,938	8,047	77,985
BALANCE AS AT 31 DECEMBER 2019	**3,403,046**	**30,994**	**3,434,040**
Transfers between stages	−44,742	44,742	–
Additions	1,172,950	–	1,172,950
Terminated contracts	−387,866	−1,577	−389,443
Redemptions	−742,607	−1,365	−743,972
Write-offs	–	−25,133	−25,133
Currency translation adjustments	−146,158	−1,167	−147,325
Other movements	−97,382	21,568	−75,814
BALANCE AS AT 31 DECEMBER 2020	**3,157,241**	**68,061**	**3,225,303**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

18 Lease receivables from clients *continued*

The Group has developed three 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.

As a result of the Covid-19 pandemic, LeasePlan has updated the ECL calculations for non credit impaired lease receivables with revised macro-economic projections of Gross Domestic Product, unemployment rates and central bank interest rates for each relevant country with the latest available data as at 31 December 2020. LeasePlan uses the macro-economic information and forecasts from data provider IHS Markit as input to its expected credit loss models, next to developments in parameters such as defaults and amounts overdue.

The Group applied a weighting to each scenario (basic, optimistic and pessimistic) that is relevant in each country, deviating from a gradual recovery as per 2021 to a second shutdown. The base scenario however now assumes a global recovery in 2022, the optimistic scenario assumes a quick rebound and the pessimistic scenario assumes a weaker recovery and a strong second set of shutdowns. These updated calculations resulted in an additional ECL allowance for non credit impaired lease receivables of EUR 4.8 million compared to the calculations based on the assumptions applied as at 31 December 2019.

If a 100% optimistic scenario is applied, the ECL allowance for non credit impaired lease receivables is EUR 5.3 million lower. If the pessimistic scenario is applied, the allowance for non credit impaired lease receivables is EUR 0.2 million higher.

The sensitivity of credit impaired lease receivables to a decline in value of collateral is not material as the allowance is covering almost the total exposure and collateral values are insignificant.

2020	Corporate clients		Retail clients – UK		Retail clients – NL		Other	Total	
	ECL	Sensitivity	ECL	Sensitivity	ECL	Sensitivity	ECL	ECL	Sensitivity
Carrying value of ECL	7,876	–	7,494	–	60	–	1,411	16,841	–
ECL base	5,944	–	6,481	–	48	–	1,337	13,810	–
Optimistic scenario	−68	−1%	−2,237	−35%	18	37%	–	−2,287	−17%
Adverse scenario	2,385	40%	807	12%	15	32%	–	3,207	23%

2019	Corporate clients		Retail clients – UK		Retail clients – NL		Other	Total	
	ECL	Sensitivity	ECL	Sensitivity	ECL	Sensitivity	ECL	ECL	Sensitivity
Carrying value of ECL	6,943	–	4,011	–	28	–	1,038	12,020	–
ECL base	6,567	–	3,976	–	27	–	–	10,571	–
Optimistic scenario	−103	−2%	−161	−4%	–	−0%	–	−265	−3%
Adverse scenario	1,259	19%	58	1%	–	1%	–	1,318	12%

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.

	2020	2019
Not longer than a year	1,159,092	1,256,442
Longer than a year, less than two years	754,359	1,028,560
Longer than two years, less than three years	422,535	550,730
Longer than three years, less than four years	225,375	207,125
Longer than four years, less than five years	144,550	172,079
Longer than five years	39,229	39,274
	2,745,140	**3,254,208**
Unearned finance income on finance lease	187,531	603,819
NET INVESTMENT IN FINANCE LEASES	**2,557,609**	**2,650,390**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

18 Lease receivables from clients *continued*

Net investment in finance leases, with remaining maturities.

	2020	2019
Not longer than a year	1,082,211	1,156,182
Longer than a year, less than five years	1,438,017	1,463,018
Longer than five years	37,381	31,190
BALANCE AS AT 31 DECEMBER	**2,557,609**	**2,650,390**

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 450 million (2019: EUR 472 million). For further details on the transactions refer to ***Note 38*** and ***Note 19*** of the consolidated financial statements.

19 Property and equipment under operating lease and rental fleet

	Note	Operating lease	Rental fleet	Total
Cost		24,191,609	230,315	24,421,924
Accumulated depreciation and impairment		–6,566,042	–36,905	–6,602,948
CARRYING AMOUNT AS AT 1 JANUARY 2019		**17,625,566**	**193,410**	**17,818,976**
Purchases/additions		7,611,946	124,614	7,736,560
Disposals		–2,535,258	–63,917	–2,599,174
Transfer from inventories	16	52,883	–	52,883
Transfer to inventories	16	–427,877	–	–427,877
Depreciation		–3,363,002	–37,608	–3,400,610
Impairment charge		–39,249	–	–39,249
Impairment reversal		40,927	–	40,927
Currency translation adjustments		156,564	1,073	157,637
CARRYING AMOUNT AS AT 31 DECEMBER 2019		**19,122,501**	**217,573**	**19,340,074**
Cost		25,955,566	268,803	26,224,369
Accumulated depreciation and impairment		–6,833,066	–51,230	–6,884,296
CARRYING AMOUNT AS AT 31 DECEMBER 2019		**19,122,501**	**217,573**	**19,340,074**
Purchases/additions		6,267,123	96,739	6,363,863
Disposals		–2,560,692	–91,575	–2,652,268
Transfer from inventories	16	168,028	–	168,028
Transfer to inventories	16	–402,286	–	–402,286
Depreciation		–3,361,020	–37,228	–3,398,247
Impairment charge		–97,964	–	–97,964
Impairment reversal		5,013	–	5,013
Currency translation adjustments		–433,958	–5,832	–439,790
CARRYING AMOUNT AS AT 31 DECEMBER 2020		**18,706,745**	**179,677**	**18,886,423**
Cost		25,835,836	228,129	26,063,966
Accumulated depreciation and impairment		–7,129,091	–48,452	–7,177,543
CARRYING AMOUNT AS AT 31 DECEMBER 2020		**18,706,745**	**179,677**	**18,886,423**

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 2020 this did not result in prospective adjustments (2019: nil).

Further information about asset risk is included in the Financial Risk Management section.

Impairments

The Covid-19 pandemic has caused high levels of disruption to the functioning of used-car markets from March to May of 2020, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices. From June, we have seen the used-car market recover to pre-Covid levels across most of our core markets as B2B and B2C business activities resumed.

The impairment charge as at 31 December 2020 amounted to EUR 97.9 million (2019: EUR 39.3 million). The impairment analysis is based on an assessment of the value in use of the lease contracts. For our projections of cash flows, including the cash flows from residual values upon termination of the lease contract, we have considered second hand car sales prices to stabilise for the period after 2020.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

19 Property and equipment under operating lease and rental fleet *continued*

Given the evolving uncertainties due to the Covid-19 pandemic, LeasePlan took an impairment of EUR 47.4 million based on expected losses on the operating lease portfolio excluding the countries which recorded a local impairment. An amount equal to EUR 8.1 million of this impairment has been used related to terminated contracts throughout the year, resulting in a closing balance of EUR 39.3 million. The sensitivity of the impairment to an increase (decrease) in expected net sales results (residual value) of 5% is a decrease (increase) in the impairment provision to approximately EUR 25 to 54 million.

In Germany the total amount of cumulative impairment as per 31 December 2020 is EUR 28.8 million (2019: EUR 21.5 million). The recoverable amount is determined as the value in use at the customer level. The valuation of the German leasing portfolio and the assessment of the value in use is performed based on a discounted cash-flow-to-equity model. An after tax discount rate of 8.5 % is applied. The sensitivity of the impairment to an increase (decrease) in expected net sales results (residual value) of 5% is a decrease (increase) in the impairment provision to approximately EUR 16 to EUR 42 million.

The cumulative impairment for Poland as per 31 December 2020 is EUR 24.4 million (2019: EUR 28 million). The recoverable amount is determined as the value in use at the customer level. The valuation of the Poland leasing portfolio and the assessment of the value in use is performed based on a discounted cash-flow-to-equity model. An after tax discount rate of 9.82% is applied. The sensitivity of the impairment to an increase (decrease) in expected net sales results (residual value) of 5% is a decrease (increase) in the impairment provision to approximately EUR 16 to 35 million.

The cumulative impairment for Austria as per 31 December 2020 is EUR 11.6 million, (2019: EUR 11.2 million). It was related to a specific number of vehicles with unfavourable residual values. The recoverable amount is determined as the value in use at the customer level. The valuation of the leasing portfolios and the assessment of the value in use are performed based on a discounted cash-flow-to-equity model. An after tax discount rate of 8.92% is applied. The sensitivity of the impairment to an increase (decrease) in expected net sales results (residual value) of 5% is a decrease (increase) in the impairment provision to approximately EUR 9.4 to EUR 14.8 million.

In 2020 an impairment was recognised for book value losses on early terminated cars for defaulted operating lease customers in the amount of EUR 32.6 million. The sensitivity of the impairment to an increase (decrease) in expected net sales results (residual value) of 5% is a decrease (increase) in the impairment provision to approximately EUR 31.0 to 34.2 million.

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 3.0 billion (2019: EUR 3.0 billion), which can be detailed as follows:

	2020	2019
Bumper Australia Trust No.1	288,968	293,072
Bumper BE	558,163	–
Bumper DE S.A. 2019-I	678,463	692,339
Bumper 10 France FCT	273,633	533,770
Bumper 9 (NL) Finance B.V.	186,734	368,214
Bumper NL 2018 B.V.	–	512,289
Bumper NL 2020-I B.V.	647,169	–
Bumper 8 (UK) Finance plc	–	159,800
Bumper UK 2019-I Finance PLC	356,820	487,334
TOTAL	**2,989,950**	**3,046,818**

For further information about the asset backed securitisation transactions reference is made to ***Note 27***.

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:

	2020	2019
Not longer than a year	3,222,394	2,673,360
Longer than a year, less than five years	5,470,518	4,959,431
Longer than five years	75,165	36,348
TOTAL MATURITY	**8,768,077**	**7,669,138**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

19 Property and equipment under operating lease and rental fleet *continued*

Undiscounted lease payments to be received under operating leases, with remaining maturities:

	2020	2019
Not longer than a year	7,027,556	6,401,356
Longer than a year, less than two years	5,783,150	5,468,700
Longer than two years, less than three years	4,242,635	3,641,004
Longer than three years, less than four years	2,396,438	2,374,614
Longer than four years, less than five years	643,489	1,161,333
Longer than five years	227,937	72,627
TOTAL MATURITY	**20,321,204**	**19,119,634**

20 Other property and equipment

The composition between owned and leased assets is presented in the following table:

	31 December 2020	31 December 2019
Owned	111,070	110,422
Leased	276,635	282,512
BALANCE AS AT 31 DECEMBER	**387,705**	**392,935**

	Note	Property	Equipment	Total
CARRYING AMOUNT AS AT 1 JANUARY 2019		**10,277**	**92,604**	**102,882**
Adoption IFRS 16		281,956	5,393	287,349
Acquired through business combinations		–	29	29
Purchases/additions		51,563	60,434	111,997
Disposals		−12,941	−28,139	−41,080
Depreciation and impairment	*8*	−43,278	−26,722	−70,000
Currency translation adjustments		1,532	226	1,758
CARRYING AMOUNT AS AT 31 DECEMBER 2019		**289,110**	**103,825**	**392,935**
Cost		344,580	255,754	600,335
Accumulated depreciation and impairment		−55,470	−151,929	−207,400
CARRYING AMOUNT AS AT 31 DECEMBER 2019		**289,110**	**103,825**	**392,935**
Purchases/additions		76,452	44,793	121,244
Disposals		−13,402	−20,695	−34,097
Impairment charge		−14,771	−1,807	−16,578
Impairment reversal		476	–	476
Transfer to held for sale		−1,136	−85	−1,222
Depreciation	*8*	−43,418	−27,023	−70,441
Currency translation adjustments		−3,328	−1,285	−4,612
CARRYING AMOUNT AS AT 31 DECEMBER 2020		**289,981**	**97,724**	**387,705**
Cost		398,394	263,413	661,808
Accumulated depreciation and impairment		−108,413	−165,689	−274,102
CARRYING AMOUNT AS AT 31 DECEMBER 2020		**289,981**	**97,724**	**387,705**

The title to the other property and equipment is not restricted and these assets are not pledged as security for liabilities.

Administrative building including related land and other assets for LPUS will be sold in 2021 and has been reclassified as Assets held-for-sale at 31 December 2020, according to IFRS 5. The net value of these assets after impairment is EUR 1.2 million.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

20 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 31 DECEMBER 2018	–	–	–
Adoption IFRS 16	281,956	5,393	287,349
Purchases/additions	49,346	667	50,013
Disposals	–12,854	–	–12,854
Depreciation and impairment	–42,120	–1,376	–43,496
Currency translation adjustments	1,500	–	1,501
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**277,829**	**4,683**	**282,512**
Purchases/additions	68,559	310	68,870
Disposals	–13,309	–450	–13,758
Impairment charge	–14,256	–291	–14,547
Impairment reversal	476	–	476
Depreciation	–42,250	–1,350	–43,599
Currency translation adjustments	–3,305	–13	–3,318
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**273,745**	**2,891**	**276,635**

At the end of 2020 several office spaces (right-of-use) were not used for administrative purposes by the Group. It was negotiated with the landlords to provide these office spaces to a sublease. At the end of the year these office spaces were abandoned and ready for lease. The Group also hired real estate agents to actively sublease them. The Group tested these office spaces for impairment and recognised an impairment of EUR 6.1 million. These office spaces were tested for impairment separately being separate cash generating units as no longer used in ongoing operations and to be recovered through a rental income. The recoverable amount was estimated based on its value in use, determined by discounting the future cash flows to be generated from the rental income. An incremental borrowing rate of 0.6% was applied as the discount rate. The effect of the increase/decrease of discount rate is not material.

At the end of 2020 due to a bad economic situation, CarNext.com results in certain countries (CGU) were expected to be negative based on updated budgets. The Group tested the CGUs for impairment and recognised an impairment of EUR 8.4 million. The recoverable amounts of the CGU were estimated based on the present values of the future cash flows expected to be generated by CarNext.com in those countries (value in use), discounted by a pre-tax discount rate of 10.5% and assuming growth in expected results in the future years. The sensitivity of the impairment to a decrease in growth in expected results of 5% is an increase in the impairment provision to approximately EUR 0.5 million.

The maturity of the discounted finance lease liabilities is shown below:

	31 December 2020	31 December 2019
Not longer than a year	43,764	39,569
Longer than a year	264,376	256,719
BALANCE AS AT 31 DECEMBER	**308,140**	**296,289**

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 2020	31 December 2019
Interest on lease liabilities	–5,604	–5,242
Income from sub-leasing right-of-use assets	816	770
Expenses relating to short-term leases	–259	–378
Expenses relating to leases of low-value assets	–2,035	–159
TOTAL	**–7,082**	**–5,010**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

21 Investments accounted for using the equity method

Principal investments in the consolidated financial statements are:

	% of ownership interest			
	2020	2019	Country of business and incorporation	Activity
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 (SCS) 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:

	2020	2019
Equity accounted investments	16,337	18,778
BALANCE AS AT 31 DECEMBER	**16,337**	**18,778**

The amounts recognised in the statement of profit or loss are as follows:

	2020	2019
Equity accounted investments	3,613	4,466
BALANCE AS AT 31 DECEMBER	**3,613**	**4,466**

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.

	2020	2019
	Equity accounted investments	Equity accounted investments
Other current assets	33,417	33,402
TOTAL CURRENT ASSETS	**33,417**	**33,402**
TOTAL NON-CURRENT ASSETS	**268,351**	**262,251**
Current financial liabilities	15,175	16,017
Current liabilities other	44,892	42,969
TOTAL CURRENT LIABILITIES	**60,067**	**58,986**
Non-current financial liabilities	206,771	196,911
Other non-current financial liabilities	2,151	1,986
TOTAL NON-CURRENT LIABILITIES	**208,922**	**198,897**
NET ASSETS (100%)	**32,780**	**37,770**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

21 Investments accounted for using the equity method *continued*

The total assets of joint venture entities amount to EUR 302 million (2019: EUR 296 million), of which EUR 226 million (2019: EUR 211 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.

	2020	2019
	Equity accounted investments	Equity accounted investments
REVENUES	**99,636**	**105,054**
Depreciation and amortisation	–462	–200
Interest income	308	209
Interest expense	–3,918	–5,043
Profit before tax	7,541	9,255
Income tax expenses	–248	–217
PROFIT FOR THE PERIOD	**7,293**	**9,039**
Other comprehensive income net of tax	–239	–18
TOTAL COMPREHENSIVE INCOME (100%)	**7,054**	**9,021**
Dividend received by the Group	4,565	1,819

The reconciliation to the proportional share of the Group included in the summarised financial information is as follows:

	2020	2019
	Equity accounted investments	Equity accounted investments
Net assets (100%) as at 1 January	37,770	31,787
Dividend paid	–9,420	–3,639
Result for the year	7,293	9,039
Exchange rate differences	–2,864	584
Net assets (100%) as at 31 December	32,780	37,770
Percentage of interest	various	various
Interest in associates/jointly controlled entities	16,337	18,778
CARRYING VALUE	**16,337**	**18,778**

The amount of net assets is mainly related to LeasePlan Emirates L.L.C. EUR 30.3 million (2019: EUR 35.7 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

22 Intangible assets

	Note	Internally developed software	Software licenses	Customer relationships	Customer contracts	Goodwill	Assets under construction	Total
CARRYING AMOUNT AS AT 1 JANUARY 2019		**24,660**	**12,801**	**4,350**	**369**	**98,604**	**115,345**	**256,128**
Acquired through business combinations		–	11,496	–	–	–	–	11,496
Purchases/additions		25,272	14,780	–	–	–	8,816	48,868
Amortisation	*8*	−13,677	−6,794	−963	−111	–	–	−21,544
Impairment charge	*8*	–	–	–	–	–	−92,000	−92,000
Currency translation adjustments		386	15	–	–	–	38	439
CARRYING AMOUNT AS AT 31 DECEMBER 2019		**36,640**	**32,300**	**3,388**	**258**	**98,604**	**32,197**	**203,387**
Cost		176,836	92,143	14,441	8,790	98,604	32,197	423,011
Accumulated depreciation and impairment		−140,197	−59,842	−11,053	−8,532	–	–	−219,624
CARRYING AMOUNT AS AT 31 DECEMBER 2019		**36,640**	**32,300**	**3,388**	**258**	**98,604**	**32,197**	**203,387**
Acquired through business combinations		–	3,832	–	–	–	–	3,832
Purchases/additions		14,073	5,901	–	–	–	73,534	93,508
Amortisation	*8*	−23,492	−9,207	−963	−111	–	–	−33,772
Impairment charge	*8*	–	–	–	–	–	−3,131	−3,131
Assets available for use		17,792	69	–	–	–	−17,861	–
Currency translation adjustments		−568	−418	–	–	–	−52	−1,038
CARRYING AMOUNT AS AT 31 DECEMBER 2020		**44,445**	**32,477**	**2,425**	**147**	**98,604**	**84,685**	**262,785**
Cost		205,737	97,512	14,441	8,790	98,604	84,685	509,769
Accumulated depreciation and impairment		−161,292	−65,035	−12,016	−8,643	–	–	−246,986
CARRYING AMOUNT AS AT 31 DECEMBER 2020		**44,445**	**32,477**	**2,425**	**147**	**98,604**	**84,685**	**262,785**

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 2020 mainly include the investments in New Generation Digital Architecture (NGDA) and IT Excellence.

Please refer to ***Note 8*** for the disclosure related to the impairment recognised on assets under construction.

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	11.8%	13.1%	0.5%
LeasePlan Portugal	27,232	11.8%	14.5%	0.5%
LeasePlan Spain	14,413	11.1%	14.6%	0.5%
LeasePlan France	10,313	9.8%	12.8%	0.5%
TOTAL	**98,604**			

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

22 Intangible assets *continued*

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 2020 (2019: 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. The business plans and forecasts were composed with active involvement from the shareholders of LP Group B.V. Under the new ownership a restructuring was carried out, which includes significant personnel reductions and reshaping internal processes. As a result of these changes and as a result of new commercial initiatives to increase market share. 'The Power of One LeasePlan' is close to be completed and will not be actively steered upon. Improvement in profitability in 2021 and beyond is anticipated with continued benefits in the following years in the light of digitising LeasePlan. As of 2019/2020 LeasePlan embarked on a fully digitise 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. Therefore we deem using a 5-year strategic outlook more relevant than a 3-year outlook. After the 5-year forecast period a terminal growth rate of 0.5% was assumed.

A post-tax discount rate was applied which is built up of a (i) risk free rate (–0.1%), (ii) a market premium (7%) multiplied by a market specific beta (1.33) 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.

23 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	
	2020	**2019**	**2020**	**2019**
Goodwill	3,117	4,478	–	–
Other intangible fixed assets	–	–	289	–
Property and equipment under operating lease	48,762	38,029	586,696	489,427
Other property and equipment	9,521	7,922	8,211	6,421
Provisions	34,151	21,425	253	–
Deferred leasing income	66,939	68,341	3,539	2,063
Tax value of losses carry forward recognised	336,938	219,304	–	–
Tax credits and prepayments	3,066	3,685	138	–
Other receivables	27,196	16,501	31,678	27,651
Other payables	64,785	63,877	11,139	33,473
TAX ASSETS/LIABILITIES	**594,475**	**443,562**	**641,943**	**559,035**
Offset of deferred tax assets and liabilities	–305,780	–214,412	–305,780	–214,412
BALANCE AS AT 31 DECEMBER	**288,695**	**229,150**	**336,163**	**344,622**
NET TAX POSITION:			**47,468**	**115,474**
Movement in net tax position	68,004	35,738		

The movement in the net deferred tax position can be summarised as follows:

	Note	2020	2019
BALANCE AS AT 1 JANUARY		**–115,474**	**–151,212**
Statement of profit or loss (charge)/credit	*10*	65,443	35,202
Tax (charge)/credit relating to components of other comprehensive income	*10*	–1,629	1,591
Other movements		–6,759	–
Exchange rate differences		10,952	–1,055
BALANCE AS AT 31 DECEMBER		**–47,468**	**–115,474**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

23 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	
	2020	**2019**	**2020**	**2019**
Goodwill	–1,361	–527	–	–
Other intangible fixed assets	–	–	289	–
Property and equipment under operating lease	–16,491	13,101	95,191	–12,126
Other property and equipment	1,226	1,415	–1,659	1,701
Provisions	12,726	–8,386	–649	–54
Deferred leasing income	–1,402	5,887	–2,369	–211
Tax value of losses carry forward recognised	117,634	3,739	–12,130	–
Tax credits and prepayments	–619	–3,142	– 187	–6,438
Other receivables	9,961	5,591	467	1,910
Other payables	–1,144	27,372	–23,865	25,068
MOVEMENT IN DEFERRED TAX	**120,531**	**45,051**	**55,088**	**9,848**
Movement in deferred tax liabilities	–55,088	–9,848		
STATEMENT OF PROFIT OR LOSS (CHARGE)/CREDIT	**65,443**	**35,202**		

Exchange rate differences can be broken down as follows:

	Deferred tax assets		Deferred tax liabilities	
	2020	**2019**	**2020**	**2019**
Property and equipment under operating lease	27,224	–	–	4,803
Other property and equipment	372	–	–	36
Provisions	–	106	349	–
Deferred leasing income	–	427	3,845	–
Tax value of losses carry forward recognised	–	3,206	12,130	–
Tax credits and prepayments	–	–	325	117
Other receivables	735	–	–	3
Other payables	–	165	730	–
TAX (ASSETS)/LIABILITIES	**28,330**	**3,904**	**17,379**	**4,959**
Offset of deferred tax assets and liabilities	–17,379	–4,959		
EXCHANGE RATE DIFFERENCES	**10,952**	**–1,055**		

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 48.2 million (2019: EUR 55.1 million) and has not recognised tax credits for an amount of EUR 23.4 million (2019: EUR 19.1 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 48.2 million do not have an expiry date (EUR 9.6 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:

	2020	**2019**
Expires within one year	492	–
Expires after a year, less than 5 years	12,472	6,959
Expires after 5 years	10,453	12,150
TOTAL	**23,417**	**19,109**

The expiration profile of the losses carried forward can be illustrated as follows:

Losses	**2020**	**2019**
Expire after a year, less than 5 years	68,265	33,898
Expire after 5 years	445,309	382,714
No expiry date	994,528	594,450
TOTAL	**1,508,102**	**1,011,062**
TAX VALUE	**336,938**	**219,304**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

23 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:

	2020	2019
Netherlands	115,772	75,755
Spain	36,396	36,989
Italy	78,730	60,607
TOTAL	**230,897**	**173,351**

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 2020, the aggregate amount for the most significant entities is EUR 230.9 million (2019: EUR 173.3 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

24 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 9.1 billion (2019: EUR 7.7 billion) of which 41.1% (2019: 43.1%) 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 on 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:

	2020	2019
Three months or less	0.08%	0.20%
Longer than three months, less than a year	0.57%	0.65%
Longer than a year, less than five years	0.88%	1.02%

The interest rate of the on-demand accounts is set monthly.

The interest payable in the amount of EUR 16.5 million (2019: EUR 16.3 million) is presented in the line item trade and other payables and deferred income of the statement of financial position.

The funds entrusted include an outstanding balance of EUR 0.9 million (2019: EUR 1.1 million) which is non-euro currency denominated as at 31 December. The remainder of the funds entrusted is denominated in euro. Reference is made to the financial risk section (Treasury risk).

25 Trade and other payables and deferred income

	2020	2019
Trade payables	877,340	855,428
Deferred leasing income	571,557	463,685
Lease related accruals	698,121	660,831
Other accruals and other deferred amounts owed	255,653	275,471
Interest payable	74,565	78,179
Accruals for contract settlements	83,586	72,849
VAT and other taxes – payable	24,024	31,191
BALANCE AS AT 31 DECEMBER	**2,584,847**	**2,437,634**

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 contains also the liability for Phantom Share Units ('PSUs'). The fair value of the accrual is EUR 6.4 million at the end of 2020 (2019: EUR 8.2 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

25 Trade and other payables and deferred income *continued*

Variable remuneration

Variable remuneration cannot exceed 100% of fixed remuneration. For staff who are employed by one of the Dutch operating entities this maximum is further capped at 20% on average and for some specific Control Functions it is capped at 50%. Variable remuneration for Identified Staff consists of cash (50%) and non-cash elements (50%), i.e. PSUs. 50% of the variable remuneration of Identified Staff is paid upfront and 50% of the variable remuneration of Identified Staff is deferred for a period of three years, whereby every year one-third vests. PSU's have a retention period of one year after vesting.

The movements in the number of PSUs outstanding are as follows:

	2020	2019
OUTSTANDING AS PER 1 JANUARY	**114,036**	**131,360**
Granted	89,800	55,191
Settled during the year	–67,616	–72,515
OUTSTANDING PER 31 DECEMBER	**136,220**	**114,036**

The PSU result recognised during 2020 relating to PSU revaluation amounts to EUR –1.6 million (2019: EUR –0.7 million).

26 Borrowings from financial institutions

This item includes amounts owed to banks under government supervision.

For 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 1.2 billion (2019: EUR 1.4 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 8.8 million (2019: EUR 14.1 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.

27 Debt securities issued

This item includes negotiable, interest bearing securities, held at amortised cost.

	2020	2019
Bonds and notes – originated from securitisation transactions	2,457,558	2,133,462
Bonds and notes – other	7,523,591	9,401,398
Bonds and notes – other (fair value adjustment)	103,103	47,312
BALANCE AS AT 31 DECEMBER	**10,084,252**	**11,582,171**

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 2.6 billion (2019: EUR 3.6 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro. 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 financial risk section (Strategy in using financial instruments).

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2020	2019
Average interest rate	1.2%	1.1%

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

27 Debt securities issued *continued*

The interest payable in the amount of EUR 49.0 million (2019: EUR 47.6 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 Financial risk management paragraph.

The caption 'Bonds and notes – originated from securitisation transactions' can be detailed as follows:

	2020	2019
Bumper BE	450,000	–
Bumper 10 France FCT	199,626	408,215
Bumper DE S.A. 2019-I	532,357	544,000
Bumper 9 (NL) Finance B.V.	73,788	259,509
Bumper NL 2020-I B.V.	500,000	–
Bumper 8 (UK) Finance plc	–	78,287
Bumper UK 2019-I Finance PLC	326,908	470,293
Bumper Australia Trust No.1	377,944	375,073
TOTAL	**2,460,623**	**2,135,377**

In June 2020 were concluded Bumper BE 2020-I, a warehouse facility for a total of EUR 500 million of ABS notes (of which EUR 450 million was drawn) and Bumper NL 2020-1 B.V. for a total of EUR 500 million of ABS 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 13*** 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.

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 3.1 million (2019: EUR 1.9 million) and they are fully capitalised and amortised over the duration of the deal.

28 Provisions

	2020	2019
Damage risk retention provision	494,174	464,524
Post-employment benefits	26,428	28,633
Other provisions	41,310	29,178
BALANCE AS AT 31 DECEMBER	**561,911**	**522,335**

The majority of provisions are expected to be recovered or settled within 12 months.

Damage risk retention provision

	2020	2019
Provision for third party liability (TPL)	189,277	183,038
Incurred but not reported (IBNR) – TPL	162,702	157,131
Provision for damage claims	81,020	71,970
Incurred but not reported (IBNR) – damage claims	61,174	52,385
BALANCE AS AT 31 DECEMBER	**494,174**	**464,524**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

28 Provisions *continued*

The damage risk retention provision breaks down as follows:

	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Damages reported	270,298	–20,830	249,468	255,008	–14,017	240,990
Damages IBNR	223,876	–10,037	213,839	209,516	–8,036	201,481
TOTAL DAMAGE RISK PROVISIONS	**494,174**	**–30,868**	**463,306**	**464,524**	**–22,053**	**442,471**
Current	142,285	–6,574	135,711	124,355	–4,631	119,724
Non-current	351,889	–24,294	327,596	340,169	–17,422	322,747
TOTAL DAMAGE RISK PROVISIONS	**494,174**	**–30,868**	**463,306**	**464,524**	**–22,053**	**442,471**

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	**< 2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
At end of accident year	684,285	91,211	114,677	153,266	166,308	175,843	125,528	
one year later	635,155	99,089	133,315	144,870	161,867	181,717	–	
two years later	635,622	89,710	124,011	128,599	160,582	–	–	
three years later	656,644	85,797	115,061	131,106	–	–	–	
four years later	651,526	82,444	111,187	–	–	–	–	
five years later	646,676	76,940	–	–	–	–	–	
more than five years later	641,277	–	–	–	–	–	–	
Estimate of cumulative claims	641,277	76,940	111,187	131,106	160,582	181,717	125,528	
Cumulative payments to date	–598,947	–63,324	–93,276	–94,980	–102,710	–89,228	–33,892	
GROSS OUTSTANDING CLAIM LIABILITIES	**42,330**	**13,616**	**17,911**	**36,126**	**57,872**	**92,489**	**91,636**	**351,980**
Less: IBNR	11,716	5,048	7,629	14,541	26,926	50,192	46,651	162,702
TOTAL PROVISION FOR TPL (EXCL. IBNR)	**30,614**	**8,568**	**10,282**	**21,585**	**30,947**	**42,296**	**44,985**	**189,277**
Reinsurance	12,156	363	355	2,584	4,527	4,308	3,185	27,478
GROSS OUTSTANDING CLAIM LIABILITIES NET OF REINSURANCE	**30,174**	**13,253**	**17,556**	**33,542**	**53,345**	**88,181**	**88,451**	**324,502**

The total provision for TPL, excluding IBNR and reinsurance for the year prior to 2014 can be detailed as follows:

	Gross outstanding damage liabilities	**Less: IBNR**	**Total provision for TPL, excluding IBNR**
2014	9,913	3,834	6,080
2013	4,852	2,927	1,925
2012	5,770	2,348	3,422
2011	2,242	570	1,672
2010	1,642	437	1,205
< 2009	17,912	1,601	16,311
TOTAL	**42,330**	**11,716**	**30,614**

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

28 Provisions *continued*

The expected maturity analysis of the gross outstanding damage liabilities excluding reinsurance is as follows:

	2020	2019
Not longer than 1 year	192,318	189,183
Between 1-2 years	67,678	53,512
Between 2-5 years	57,856	62,948
Longer than 5 years	34,129	34,527
TOTAL	**351,980**	**340,169**

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 1,649 (2019: 1,616) of whom 1,330 are active employees and 313 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 297 (2019: 285).

The provision for the defined benefit liability recognised in the balance sheet is as follows:

	2020	2019
Present value of funded obligations	45,405	42,789
Fair value of plan assets	–35,304	–31,350
Deficit of funded plans	10,101	11,439
Present value of unfunded obligations	16,327	17,194
TOTAL DEFICIT OF DEFINED BENEFIT PLANS AS PER 31 DECEMBER	**26,428**	**28,633**

The impact of minimum funding requirement/asset ceiling is nil in 2020 (2019: nil).

The valuations of provisions for post-employment benefits are performed by independent qualified actuaries on an annual basis.

The impact of Covid-19 on assumptions used for the actuarial calculation of the obligation is not material.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

28 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	Total
BALANCE AS AT 1 JANUARY 2019		**52,035**	**–28,829**	**23,206**
Current service cost	6	2,289	–	2,289
Interest expense/(income)	6	795	–403	391
Past service costs and gains and losses on settlements	6	52	–	52
		3,136	**–403**	**2,732**
Return on plan assets, excluding amounts included in interest income/expense		–	–272	–272
Gain/loss from changes in demographic assumptions		156	–	156
Gain/loss from changes in financial assumptions		6,493	–	6,493
Experience (gains)/losses		–251	–136	–386
		6,398	**–408**	**5,991**
REMEASUREMENTS				
Contributions – Employers		–	–2,202	–2,202
Contributions – Plan participants		273	–260	13
Benefit payments		–2,099	914	–1,185
Currency translation adjustments		239	–162	77
BALANCE AS AT 31 DECEMBER 2019		**59,983**	**–31,350**	**28,633**
BALANCE AS AT 1 JANUARY 2020		**59,983**	**–31,350**	**28,633**
Current service cost	6	2,541	14	2,555
Interest expense/(income)	6	388	–179	210
Past service costs and gains and losses on settlements	6	22	–	22
		2,952	**–164**	**2,787**
Return on plan assets, excluding amounts included in interest income/expense		–	–713	–713
Gain/loss from changes in demographic assumptions		–1,221	–	–1,221
Gain/loss from changes in financial assumptions		246	–	246
Experience (gains)/losses		346	–142	204
		–630	**–855**	**–1,484**
REMEASUREMENTS				
Contributions – Employers		–	–2,594	–2,594
Contributions – Plan participants		310	–310	–
Benefit payments		–760	–30	–791
Currency translation adjustments		–122	–1	–124
BALANCE AS AT 31 DECEMBER 2020		**61,731**	**–35,304**	**26,428**

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 2.7 million for the year ending 31 December 2020.

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.

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:

	2020	2019
Discount rate	1.4%	1.6%
Inflation	2.3%	2.1%
Salary growth rate	3.0%	3.2%
Pension growth rate	1.6%	1.6%

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

28 Provisions *continued*

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	29,308	22,017
Inflation change	23,574	25,532
Salary growth rate change	22,761	26,548
Pension growth rate change	19,758	20,422

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:

	2020	2019
Male	30.5	27.6
Female	32.4	29.5

Plan assets comprise the following:

	2020			2019		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments	1,935	–	1,935	692	706	1,398
Debt instruments	3,905	34	3,939	3,049	397	3,446
Property	470	1,029	1,499	396	739	1,135
Investment funds	436	27,495	27,932	274	25,095	25,370
TOTAL ASSETS	**6,746**	**28,558**	**35,304**	**4,412**	**26,938**	**31,350**

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	1,543	3,064	6,165	84,184	94,956

The cumulative actuarial result recognised in the combined statements of comprehensive income is EUR 1.5 million (2019: EUR −6.0 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

28 Provisions *continued*

Other provisions

	Other long-term employee benefits	Termination benefits	Litigation	Miscellaneous	Total
BALANCE AS AT 31 DECEMBER 2018	**10,925**	**3,611**	**4,722**	**13,999**	**33,257**
Adoption of IFRIC 23	–	–	334	–	334
Additions	1,215	3,460	655	5,418	10,748
Reversals	−2	−281	−1,396	−3,534	−5,213
Usage	−1,380	−4,919	−64	−3,765	−10,127
Currency translation adjustments	48	69	−39	101	180
BALANCE AS AT 31 DECEMBER 2019	**10,806**	**1,940**	**4,212**	**12,220**	**29,178**
Additions	869	3,064	7,320	9,800	21,052
Reversals	−10	−174	−777	−3,051	−4,011
Usage	−609	−2,031	−590	−300	−3,530
Currency translation adjustments	22	−99	−506	−796	−1,379
BALANCE AS AT 31 DECEMBER 2020	**11,078**	**2,700**	**9,660**	**17,872**	**41,310**
Usage within a year	6,139	2,537	4,357	11,386	24,419
Usage after a year	4,939	163	5,303	6,486	16,891

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 provision depends 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 in the amount of EUR 2.5 million (2019: EUR 3.2 million).

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

29 Share capital and share premium

At 31 December 2020, the authorised capital amounted to EUR 250 million (2019: 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.

30 Other reserves

	Translation reserve	Post-employment benefit reserve	Hedging reserve	Total
BALANCE AS AT 31 DECEMBER 2018	**–59,344**	**–4,063**	**–4,353**	**–67,760**
Gains/(losses) arising during the year	28,352	–5,991	683	23,044
Related income tax	–	1,778	–187	1,591
BALANCE AS AT 31 DECEMBER 2019	**–30,978**	**–8,289**	**–3,859**	**–43,125**
Gains/(losses) arising during the year	–101,490	1,484	3,379	–96,628
Related income tax	–	–801	–828	–1,629
BALANCE AS AT 31 DECEMBER 2020	**–132,468**	**–7,606**	**–1,308**	**–141,382**

Translation reserve

The movement in 2020 is caused by depreciation of euro against main local currencies (mainly pound sterling and Turkish lira).

Post-employment benefit reserve

The post-employment benefit reserve comprises the actuarial gains and losses recognised on defined benefit post-employment plans.

Hedging reserve

The hedging reserve comprises the effective portion of cash flow hedging instruments. Gains/losses on the cash flow hedge reserves in their entirety relate to the interest rate swaps hedging interest rate risk.

31 Retained earnings

Dividend

In 2020 LeasePlan decided not to pay any interim or final dividend relating to 2019.

In 2019 LeasePlan did not pay any final dividend relating to 2018. Interim dividends related to 2019 were paid in October and December 2019, in the total amount of EUR 165.1 million, or 60% of the available Group's reported net income up to the third quarter of 2019, 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 2020 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 (2019: EUR 21.7 million).

32 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 2020 on AT1 capital securities amounts to EUR 36.9 million. In 2020 an amount of EUR 36.9 million was paid related to the period November 2019 – November 2020, including EUR 3.3 million accrued in 2019. The remaining part of EUR 3.4 million is payable in May 2021, 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

33 Non-controlling interest

During the second quarter of 2020 LeasePlan and Faraday Keys Holding B.V. ('FK') incorporated PowerD B.V., in line with the strategy to achieve zero emissions from total fleet by 2030. The share distribution is 72.8% and 27.2% respectively and the investment in equity is EUR 0.6 million. Minority shares of FK are shown under Non-controlling interests in the statement of changes in equity.

34 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 2.7 billion (2019: EUR 2.5 billion) as at the balance sheet date. These commitments are entered into in the ordinary course of business and the majority are back-to-back matched with lease contracts entered with customers.

The commitments relating to short-term lease and low-value leases are EUR 2.9 million and EUR 0.6 million respectively.

The Group has issued guarantees to the total value of EUR 429 million (year-end 2019: EUR 381 million) of which EUR 428 million (year-end 2019: EUR 379 million) is related to residual value guarantees issued to clients.

35 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 a(n 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. In November 2019 TDR Capital obtained a controlling interest in British Car Auction (BCA). LeasePlan Corporation N.V. has been doing business with BCA in the ordinary course of the business for a longer period of time all on an arm's length basis. BCA is acting as an agent in most of the countries. During 2020, transactions with BCA acting as an agent amount to EUR 4 million. Transactions with BCA acting as a principal amount to EUR 23 million. The amount of accounts receivables outstanding with BCA is EUR 1.7 million.

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 10*** 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 175.5 million (2019: EUR 163.5 million) is provided as loans to investments accounted for using the equity method (***Note 17***). In relation to the loans to investments accounted for using the equity method in the company financial statements, reference is made to its ***Note 11***.

The interest income recognised by the Group on these funding transactions amounts to EUR 2.1 million (2019: EUR 2.0 million). Furthermore, the Group charged a service fee amounting to EUR 0.4 million (2019: EUR 0.6 million) to the investments accounted for using the equity method.

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:

	2020	**2019**
Fixed remuneration	2,505	3,031
Other short-term employee benefits	657	1,855*
Post-employment benefits	17	37
Other long-term employee benefits	118	432
Termination benefits**	700	2,470
TOTAL	**3,997**	**7,825**

** Includes a one-time payment related to the hire of a new board member.*

*** Includes remuneration relating to the period after the board membership ended and severance of former board members.*

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

35 Related parties *continued*

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.

	2020	2019
Mr Jos Streppel	178,000	150,000
Dr Herta von Stiegel	100,000	75,000
Mr Steven van Schilfgaarde	105,000	75,000
Mrs Allegra van Hövell-Patrizi	84,000	75,000
Mr. Paul Scholten	89,500	37,500
Mr Manjit Dale	96,000	–
Mr Eric-Jan Vink	85,000	–

The remuneration of supervisory board members is expected to change following the appropriate governance; this may lead to an increase in overall pay.

Management Investment Plan

Selected members of LeasePlan management, including the Managing Board members, (the 'participants) have been provided with an opportunity to make an indirect investment alongside a consortium of financial investors (the 'Consortium') in LeasePlan through a Management Investment Plan (the 'MIP'). 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 entitle a participant to the full economic benefit of the underlying shares held by ManCo in an indirect parent company of LeasePlan.

The ability of a participant to dispose of the share 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. Furthermore, there are specific provisions governing an exit through an IPO where the ability to dispose of shares may be restricted by customary lock-up periods. 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 shares. The price payable for the shares will depend on a vesting schedule where 20% of the shares vest each year over a period of five years. Vested shares would be sold at fair market value and unvested shares would be sold at the lower of i) cost and ii) fair market value. As LeasePlan has no obligation to repurchase shares 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 and preference shares. Management participants subscribed 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. If the Consortium's returns at exit are above a pre-defined threshold, the conversion ratio will be adjusted to deliver a greater share of the equity value to the management investors.

The movements in the number of shares that the participants have indirectly acquired under the MIP are as follows:

	2020	2019
BALANCE AS AT 1 JANUARY	**21,602,000**	**22,940,000**
Issued	1,304,347	–
(Re)purchased	–1,589,000	–1,338,000
BALANCE AS AT 31 DECEMBER	**21,317,347**	**21,602,000**

The participants have indirectly invested EUR 21.3 million via ManCo in LeasePlan Corporation N.V. (2019: EUR 21.6 million). Of that amount, the total aggregated investment amount of Managing Board members amounts to EUR 4.7 million (2019: EUR 3.8 million).

The acquisition price of the ordinary shares in ManCo represents the fair market value of those shares, being the same 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.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

35 Related parties *continued*

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 payment 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.

The total amount to be expensed is determined by reference to the fair value of the awards granted including the impact of any non-vesting conditions and market conditions. For this purpose, the company analyses whether the price paid by a manager is in line with the market price of the shares acquired. If a positive difference exists between (i) the actual market value of the shares and (ii) the purchase price; this results in a fair value to be reported as a share-based payment expense.

Service conditions and non-market performance conditions are taken into account in the number of awards expected to vest. At each reporting date, the company revises its estimates of the number of awards that are expected to vest. The impact of the revision of vesting estimates, if any, is recognised in the statement of profit or loss for the period.

36 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 2020. 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.

	Carrying value	Fair value		
As at 31 December 2020		Level 1	Level 2	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	110,486	–	110,486	110,486
Derivatives financial instruments not in hedge	60,568	–	60,568	60,568
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE				
Cash and balances at central banks	5,169,103			
Investments in debt securities	24,273	24,743	–	24,743
Receivables from financial institutions	671,264			
Lease receivables from clients	3,136,556	–	3,165,784	3,165,784
Loans to investments using the equity method	175,500	–	178,923	178,923
Investments in equity accounted investments	16,337			
Other receivables and prepayments*	316,018	–	316,027	316,027
Assets held-for-sale	1,222			
TOTAL FINANCIAL ASSETS	**9,681,326**	**24,743**	**3,831,788**	**3,856,531**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	9,758	–	9,758	9,758
Derivatives financial instruments not in hedge	140,613	–	140,613	140,613
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE				
Funds entrusted	9,212,495	–	9,265,742	9,265,742
Trade and other payables and deferred income*	951,905			
Borrowings from financial institutions	3,560,531	–	3,592,458	3,592,458
Debt securities issued	10,084,252	–	10,287,344	10,287,344
TOTAL FINANCIAL LIABILITIES	**23,959,554**	**–**	**23,295,914**	**23,295,914**

** 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

36 Fair value of financial instruments *continued*

As at 31 December 2019	Carrying value	Fair value Level 1	Level 2	Total
FINANCIAL ASSETS MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	74,062	–	74,062	74,062
Derivatives financial instruments not in hedge	28,574	–	28,574	28,574
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE				
Cash and balances at central banks	4,828,356			
Investments in debt securities	24,663	24,966	–	24,966
Receivables from financial institutions	638,579			
Lease receivables from clients	3,388,054	–	3,465,321	3,465,321
Loans to investments using the equity method	163,500	–	166,714	166,714
Investments in equity accounted investments	18,778			
Other receivables and prepayments*	412,965	–	413,031	413,031
TOTAL FINANCIAL ASSETS	**9,577,532**	**24,966**	**4,147,703**	**4,172,669**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE				
Derivatives financial instruments in hedge	45,677	–	45,677	45,677
Derivatives financial instruments not in hedge	91,092	–	91,092	91,092
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE				
Funds entrusted	7,763,597	–	7,814,879	7,814,879
Trade and other payables and deferred income*	933,608			
Borrowings from financial institutions	4,078,817	–	4,128,474	4,128,474
Debt securities issued	11,582,171	2,141,104	9,579,733	11,720,837
TOTAL FINANCIAL LIABILITIES	**24,494,963**	**2,141,104**	**21,659,857**	**23,800,960**

** Other receivables and Other payables that are not financial assets or liabilities are not included.*

There were no changes in valuation techniques during the years.

Financial instruments in level 1

The fair value of financial instruments that are traded in active markets is based on quoted market prices at the balance sheet 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. Cash and balances with central banks and Investments in debt securities are the only financial instruments held that are included in level 1.

In December 2019 debt securities issued (securitised bonds) were shown in level 1. In 2020 bond markets were open and active, although there was a significant decrease in volume and level of activity compared to normal market activity due to uncertainty around the Covid-19 crisis. Therefore, the Group has now shown the related amounts in level 2.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

36 Fair value of financial instruments *continued*

Financial instruments in level 2

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 data where it is available and rely as little as possible 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 input 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 yield curves at commonly quoted intervals, are used to determine the fair value for the remaining financial instruments.
- 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.

Financial instruments in level 3

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant 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. No financial instruments are included in this category.

37 Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting agreements and similar agreements.

				Related amounts not offset in the balance sheet		
	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	Financial instruments	Cash collateral received	Net amount
AS AT 31 DECEMBER 2020						
Derivative financial assets – 2020	171,054	–	171,054	−150,371	56,150	76,833
Derivative financial liabilities – 2020	150,371	–	150,371	−150,371		
AS AT 31 DECEMBER 2019						
Derivative financial assets – 2019	102,636	–	102,636	−102,636	–	–
Derivative financial liabilities – 2019	136,770	–	136,770	−102,636	−28,150	5,984

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.

Specific notes *continued*

All amounts are in thousands of euros, unless stated otherwise

38 Transfer of (financial) assets

The Group engages in various securitisation transactions (reference is made to ***Note 13***, ***Note 18*** and ***Note 19*** of the consolidated financial statements of the Group and ***Note 12*** 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)	Receivables from financial institutions (collateral deposited)	Property and equipment under operating lease	Total
AS AT 31 DECEMBER 2020				
Carrying amount				
Assets	449,945	63,957	2,989,950	3,503,853
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,457,558
Borrowings from financial institutions				–
NET CARRYING AMOUNT POSITION				**1,046,295**
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	453,403	63,957	2,979,158	3,496,519
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,475,824
Borrowings from financial institutions				–
NET FAIR VALUE POSITION				**1,020,695**
AS AT 31 DECEMBER 2019				
Carrying amount				
Assets*	472,201	79,492	3,046,818	3,598,510
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,133,462
Borrowings from financial institutions				391,091
NET CARRYING AMOUNT POSITION				**1,073,957**
For those liabilities that have recourse only to the transferred assets				
Fair value				
Assets	482,646	79,492	3,058,131	3,620,269
Associated liabilities				
Bonds and notes originated from securitisation transactions				2,141,097
Borrowings from financial institutions				391,668
NET FAIR VALUE POSITION				**1,087,505**

** 2019 numbers have been adjusted for Receivables from clients (finance leases).*

39 Contingent assets and liabilities

As at 31 December 2020, guarantees had been provided on behalf of the consolidated subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 2.2 billion (2019: EUR 2.0 billion). The company charges a guarantee fee to the respective direct and indirect subsidiaries based on normal market terms.

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.

40 Events occurring after balance sheet date

No material events occurred after 31 December 2020 that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 31 December 2020 or the result for the period ended 31 December 2020.

Company financial statements

Statement of profit or loss of the company

For the year ended 31 December

Amounts in thousands of euros	Note	2020	2019
REVENUES		**281,677**	**306,084**
Finance cost	3	269,972	263,839
Unrealised (gains)/losses on financial instruments		21,107	13,218
Impairment charges on loans and receivables		–	−1,106
DIRECT COST OF REVENUES		**291,078**	**275,951**
GROSS PROFIT		**−9,401**	**30,133**
Other operating expenses		17,066	18,937
Other depreciation and amortisation	5	3,154	2,191
TOTAL OPERATING EXPENSES	13	**20,220**	**21,128**
RESULT BEFORE TAX AND SHARE IN RESULT IN INVESTMENTS		**−29,621**	**9,005**
Income tax expenses	7	27,055	4,490
Other income		92	–
Share of profit in equity accounted investments	10 & 11	255,244	389,486
NET RESULT		**252,771**	**402,981**

Statement of financial position of the company

As at 31 December

Amounts in thousands of euros	Note	2020	2019
ASSETS			
Cash and balances at central banks	8	5,169,094	4,828,347
Receivables from financial institutions	9	55,468	111,882
Loans to subsidiaries	10	14,245,816	14,587,188
Investments in subsidiaries	10	3,320,585	3,207,312
Loans to and investments in notes issued by special purpose companies	12	193,655	166,770
Loans to investments accounted for using the equity method	11	175,500	163,500
Investments accounted for using the equity method	11	14,861	17,510
Intangible assets	13	1,813	2,361
Other assets	14	485,592	360,977
TOTAL ASSETS		**23,662,384**	**23,445,846**
LIABILITIES			
Borrowings from financial institutions	15	1,123,281	1,082,426
Funds entrusted	16	9,111,021	7,662,218
Debt securities issued	17	7,635,954	9,458,261
Provisions	18	15,552	5,739
Other liabilities	19	1,598,304	1,176,563
TOTAL LIABILITIES		**19,484,112**	**19,385,207**
EQUITY			
Share capital		71,586	71,586
Share premium		506,398	506,398
Legal reserves		1,074,490	984,086
Other reserves		−141,382	−43,125
Retained earnings excluding net result		1,953,371	1,662,578
Net result current year		215,872	381,197
EQUITY OF OWNERS OF THE PARENT	20	**3,680,335**	**3,562,720**
AT1 capital securities		497,937	497,919
TOTAL EQUITY		**4,178,272**	**4,060,639**
TOTAL EQUITY AND LIABILITIES		**23,662,384**	**23,445,846**

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 functional currency of the subsidiary LeasePlan Otomotive Servis ve Ticaret A.Ş. (Turkey) has been changed from euro to Turkish Lira from 1 January 2020. The results and financial position of the subsidiary is translated into euro (the presentation currency of the Group) as disclosed in the ***Note B*** – Foreign currency of the consolidated financial statements.

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 2020 the company recognised EUR 7.0 million (2019: EUR 5.0 million) as other interest income.

3 Finance cost

	2020	2019
Interest expenses on debt securities	112,886	102,650
Interest expenses on funds entrusted	35,578	37,397
Interest expenses on borrowings from financial institutions and other	121,508	123,792
TOTAL	**269,972**	**263,839**

4 Managing Board remuneration

Detailed information on remuneration of the Managing Board and the members of the Supervisory Board is included in ***Note 35*** – 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.

	2020			2019
	KPMG NL	KPMG Other	Total KPMG	Total KPMG
Audit services	2,626	4,575	7,202	6,700
Audit related services	648	571	1,219	1,384
Tax advice		44	44	46
Other (non-audit) services		–	–	14
TOTAL SERVICES	**3,275**	**5,190**	**8,464**	**8,144**

From the total fee of 2020 the amount of EUR 0.6 million is related to audit scope extensions for 2019.

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;
- Agreed upon procedures on certain intercompany cost charging for foreign tax purposes.

7 Income tax

The company forms a fiscal unity with LeasePlan Corporation. N.V. regarding corporate income tax and VAT. Reference is made to ***Note 10*** of the consolidated financial statements.

	2020	2019
CURRENT TAX		
Current tax on result for the year	–254	5,647
Adjustment in respect of prior years	–3,818	–6,140
TOTAL CURRENT TAX	**–4,072**	**–493**
DEFERRED TAX		
Origination and reversal of temporary differences	–16,540	–4,016
Changes in tax rates	–997	1,051
Adjustments in respect of prior years	–5,446	–1,032
TOTAL DEFERRED TAX	**–22,983**	**–3,997**
TOTAL	**–27,055**	**–4,490**

8 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 94 million (2019: EUR 76 million) which is not available for use in the Group's day-to-day operations.

9 Receivables from financial institutions

A breakdown of this caption is as follows:

	2020	2019
Amounts receivable from banks	12,373	31,461
Cash collateral deposited for derivatives	43,095	80,421
BALANCE AS AT 31 DECEMBER	**55,468**	**111,882**

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

10 Investments in and loans to subsidiaries

Movements in investments in Group companies are as follows:

	2020	2019
BALANCE AS AT 1 JANUARY	**3,207,312**	**3,160,960**
Adoption of IFRIC 23	–	–684
Result for the year	271,723	386,034
Capital contribution	16,897	9,826
Dividend received	–86,129	–347,376
Direct changes in equity	683	–4,213
Revaluations	11,122	–24,591
Currency translation adjustments	–101,023	27,356
BALANCE AS AT 31 DECEMBER	**3,320,585**	**3,207,312**

Reference is made to the list of principal consolidated participating interests.

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:

	2020	2019
Three months or less	2,302,452	2,080,431
Longer than three months, less than a year	4,072,627	4,223,594
Longer than a year, less than five years	7,866,615	8,281,728
Longer than five years	4,123	1,435
BALANCE AS AT 31 DECEMBER	**14,245,816**	**14,587,188**

*2019 numbers have been adjusted to exclude loans to and investments in notes issued by special purpose companies, reclassed to the specific caption (refer to **Note 12** – Loans to investments in notes issued by special purpose companies).*

11 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:

	2020	2019
BALANCE AS AT 1 JANUARY	**17,510**	**14,638**
Share of results	1,676	2,614
Dividend received	–2,836	–
Revaluations	–85	–
Currency translation adjustments	–1,403	257
BALANCE AS AT 31 DECEMBER	**14,861**	**17,510**

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:

	2020	2019
Three months or less	16,500	18,000
Longer than three months, less than a year	55,500	62,000
Longer than a year, less than five years	103,500	83,500
BALANCE AS AT 31 DECEMBER	**175,500**	**163,500**

The company has entered into loan commitments of EUR 180 million (2019: EUR 165 million) of which EUR 175.5 million has been drawn at 31 December 2020 (2019: EUR 163.5 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

12 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 in 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 a legal maturity date of November 2023. In addition the company provided liquidity reserve to Bumper DE S.A. 2019-I (EUR 2.7 million) and to Bumper 10 France (EUR 2.0 million).

The company acquired B-notes in Bumper UK 2019-1 (GBP 30 million translated into EUR 33.3 million) and Bumper NL 2020-I (EUR 29 million). The B-notes of Bumper UK 2019-I Finance Plc have a legal maturity date of February 2023. The B-notes of Bumper NL 2020-I B.V. have a legal maturity date of April 2025.

	2020	2019
Bumper DE S.A. 2019-I	129,302	129,302
Bumper 10 France	2,000	2,196
TOTAL LOANS TO SPECIAL PURPOSE COMPANIES	131,302	131,498
Bumper NL 2020-I B.V.	29,000	–
Bumper UK 2019-I Finance PLC	33,352	35,272
TOTAL INVESTMENTS IN NOTES ISSUED BY SPECIAL PURPOSE COMPANIES	62,352	35,272
BALANCE AS AT 31 DECEMBER	**193,655**	**166,770**

2019 numbers have been adjusted to include liquidity reserve to special purpose companies, reclassed from Loans to subsidiaries.

13 Intangible assets

	Software licenses	Customer relationship	Total
CARRYING AMOUNT AS AT 1 JANUARY 2019	**22**	**2,195**	**2,217**
Purchases/additions	547	–	547
Amortisation	–37	–366	–403
CARRYING AMOUNT AS AT 31 DECEMBER 2019	**531**	**1,829**	**2,361**
Cost	2,727	3,659	6,386
Accumulated amortisation and impairment	–2,196	–1,829	–4,025
CARRYING AMOUNT AS AT 1 JANUARY 2020	**531**	**1,829**	**2,361**
Amortisation	–182	–366	–548
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**349**	**1,464**	**1,813**
Cost	2,727	3,659	6,386
Accumulated amortisation and impairment	–2,378	–2,195	–4,573
CARRYING AMOUNT AS AT 31 DECEMBER 2020	**349**	**1,464**	**1,813**

14 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:

	2020	2019
Derivative financial instruments	173,038	106,026
Tax receivable	3,692	4,517
Amounts receivable from Group companies	118,971	49,007
Loans to other third parties	802	6,305
Other	189,089	195,122
BALANCE AS AT 31 DECEMBER	**485,592**	**360,977**

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

14 Other assets *continued*

Below is a summary disclosure of the hedging instruments. 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 2020						
	Notional amounts	Fair value		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
		Assets	Liabilities				
FAIR VALUE HEDGE							
Interest rate swaps	5,625,472	109,259	2,410	50,815	–	–	–2,678
Cross currency swaps/forwards	148,811	1,194	4,570	2,037	–	–	–262
CASH FLOW HEDGES							
Interest rate swaps	771,608	32	2,778	3,388	3,379	3,088	–10
TOTAL DERIVATIVES IN HEDGE	**6,545,891**	**110,486**	**9,758**	**56,240**	**3,379**	**3,088**	**–2,950**
Interest rate swaps	19,306,147	14,038	61,751	–11,258	–	–	–
I/C Interest rate swaps	3,275,331	1,984	9,767	–	–	–	–
Cross currency swaps/forwards	4,221,797	46,530	88,246	19,986	–	–	–
TOTAL DERIVATIVES NOT IN HEDGE	**26,803,275**	**62,552**	**159,764**	**8,728**	**–**	**–**	**–**
TOTAL	**33,349,166**	**173,038**	**169,522**	**64,968**	**3,379**	**3,088**	**–2,950**

	31 December 2019						
	Notional amounts	Fair value		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
		Assets	Liabilities				
FAIR VALUE HEDGE							
Interest rate swaps	6,222,934	73,867	18,810	6,434	–	–	1,936
Cross currency swaps/forwards	316,602	–	20,411	–387	–	–	3
CASH FLOW HEDGES							
Interest rate swaps	1,333,783	195	6,456	799	799	3,088	–4
TOTAL DERIVATIVES IN HEDGE	**7,873,319**	**74,062**	**45,677**	**6,846**	**799**	**3,088**	**1,935**
Interest rate swaps	20,060,575	12,668	49,196	–14,743	–	–	–
I/C Interest rate swaps	3,315,402	4,197	5,848	–	–	–	–
Cross currency swaps/forwards	4,234,730	15,099	38,522	–3,207	–	–	–
TOTAL DERIVATIVES NOT IN HEDGE	**27,610,708**	**31,964**	**93,566**	**–17,950**	**–**	**–**	**–**
TOTAL	**35,484,027**	**106,026**	**139,243**	**–11,104**	**799**	**3,088**	**1,935**

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

14 Other assets *continued*

Hedged items

Below a summary disclosure of the hedged items. 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 2020	Notional amounts	Fair value Assets	Fair value Liabilities	Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH* adjustment included in the carrying amount	Amount of FVH* adjustment included in the carrying amount ceased to be adjusted as gains/losses	CFH* reserve from hedge relationships (continuing hedges)	CFH* reserve from hedge relationships (hedge accounting is no longer applied)
FAIR VALUE HEDGE								
Interest rate swaps	5,625,472	–	5,754,995	–	–101,417	–	–	–
Cross currency swaps/forwards	142,437	–	145,404	–	–1,686	–	–	–
CASH FLOW HEDGES								
Interest rate swaps	–	–	–	–	–	–	1,308	–
TOTAL DERIVATIVES IN HEDGE	**5,767,909**	**–**	**5,900,399**	**–**	**–103,103**	**–**	**1,308**	**–**

31 December 2019	Notional amounts	Fair value Assets	Fair value Liabilities	Change in value of the hedged item (calculating hedge ineffectiveness)	Amount of FVH* adjustment included in the carrying amount	Amount of FVH* adjustment included in the carrying amount ceased to be adjusted as gains/losses	CFH* reserve from hedge relationships (continuing hedges)	CFH* reserve from hedge relationships (hedge accounting is no longer applied)
FAIR VALUE HEDGE								
Interest rate swaps	6,222,934	–	6,288,782	–4,498	–47,924	–	–	–
Cross currency swaps/forwards	294,724	–	296,002	389	613	–	–	–
CASH FLOW HEDGES								
Interest rate swaps	–	–	–	–	–	–	3,859	–
TOTAL DERIVATIVES IN HEDGE	**6,517,658**	**–**	**6,584,784**	**–4,109**	**–47,311**	**–**	**3,859**	**–**

** FVH Fair value hedge – CFH Cash flow hedge.*

15 Borrowings from financial institutions

This caption includes amounts owed to credit institutions under government supervision.

The maturity of these loans are as follows:

	2020	2019
Less than three months	69,281	28,426
Longer than three months, less than a year	4,000	–
Longer than a year, less than five years	1,050,000	1,054,000
BALANCE AS AT 31 DECEMBER	**1,123,281**	**1,082,426**

Borrowings from financial institutions include an outstanding balance of EUR 2.8 million (2019: EUR 0.3 million) which is non-euro currency denominated as at 31 December 2020. The remainder of the borrowings from financial institutions is denominated in euro. The related average interest rate was 1.1% (2019: 1.1%).

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

16 Funds entrusted

The maturity analysis of funds entrusted is as follows:

	2020	2019
Three months or less	6,398,492	5,364,230
Longer than three months, less than a year	1,692,532	1,434,868
Longer than a year, less than five years	1,019,997	863,120
BALANCE AS AT 31 DECEMBER	**9,111,021**	**7,662,218**

This caption shows deposits raised by LeasePlan Bank of which 41.1% (2019: 43.1%) 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:

	2020	2019
Three months or less	0.08%	0.20%
Longer than three months, less than a year	0.57%	0.65%
Longer than a year, less than five years	0.88%	1.02%
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.

17 Debt securities issued

This caption includes negotiable, interest-bearing securities, held at amortised cost.

	2020	2019
Bonds and notes – other	7,532,851	9,410,950
Bonds and notes – other (fair value adjustment)	103,103	47,312
BALANCE AS AT 31 DECEMBER	**7,635,954**	**9,458,261**

The average interest rates applicable to the outstanding balances can be summarised as follows:

	2020	2019
Average interest rate	1.4%	1.3%

The maturity analysis of the debt securities issued is as follows:

	2020	2019
Three months or less	773,378	130,264
Longer than three months, less than a year	1,278,695	2,246,541
Longer than a year, less than five years	5,466,652	6,859,321
Longer than five years	117,229	222,135
BALANCE AS AT 31 DECEMBER	**7,635,954**	**9,458,261**

The debt securities include an outstanding balance of EUR 1.9 billion (2019: EUR 2.7 billion) which is non-euro currency denominated as at 31 December. The remainder of the debt securities is denominated in euro.

18 Provisions

The provision relates to subsidiaries with a negative net asset value based on Group accounting standards.

The provision related to Malaysia has been released in 2020 for the total amount of EUR 1.4 million due to liquidation of the company.

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

19 Other liabilities

The other liabilities are composed of:

	2020	2019
Loans from Group companies	1,260,215	823,100
Accounts payable to Group companies	19,242	66,365
Derivative financial instruments	169,522	139,243
Other accruals and deferred income	82,669	73,970
Corporate income tax payable	52,697	58,285
Lease liabilities	13,958	15,599
BALANCE AS AT 31 DECEMBER	**1,598,304**	**1,176,563**

Other accruals and deferred income mainly includes accrued interest payable. For derivative financial instruments reference is made to the table in ***Note 14***.

The maturity analysis of the loans from Group companies is as follows:

	2020	2019
Three months or less	182,427	147,508
Longer than three months, less than a year	88,788	–
Longer than a year, less than five years	989,000	675,592
BALANCE AS AT 31 DECEMBER	**1,260,215**	**823,100**

20 Equity

Share capital

As at 31 December 2020, 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 2020 and 2019. The movement in shareholders' equity is as follows:

	Share capital	Share premium	Legal reserves	Other reserves	Retained earnings	Net result current year	Equity of owners of the parent	AT1 capital securities	Total equity
BALANCE AS AT 1 JANUARY 2019	**71,586**	**506,398**	**1,009,564**	**–67,760**	**1,378,644**	**423,627**	**3,322,058**	**–**	**3,322,058**
Net result	–	–	–	–	–	402,981	402,981	–	402,981
Transfer – accrued interest on AT1 capital securities	–	–	–	–	–	–21,784	–21,784	21,784	–
Other comprehensive income	–	–	–	24,635	–	–	24,635	–	24,635
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**24,635**	**–**	**381,197**	**405,832**	**21,784**	**427,616**
Transfer from/to	–	–	–25,478	–	25,478	–	–	–	–
Appropriation of net result	–	–	–	–	423,627	–423,627	–	–	–
Interim dividend	–	–	–	–	–165,170	–	–165,170	–	–165,170
Proceeds AT1 capital securities	–	–	–	–	–	–	–	500,000	500,000
Issuance costs AT1 capital securities	–	–	–	–	–	–	–	–5,425	–5,425
Interest coupon paid on AT1	–	–	–	–	–	–	–	–18,440	–18,440
BALANCE AS AT 31 DECEMBER 2019	**71,586**	**506,398**	**984,086**	**–43,125**	**1,662,578**	**381,197**	**3,562,720**	**497,919**	**4,060,639**
BALANCE AS AT 1 JANUARY 2020	**71,586**	**506,398**	**984,086**	**–43,125**	**1,662,578**	**381,197**	**3,562,720**	**497,919**	**4,060,639**
Net result	–	–	–	–	–	252,771	252,771	–	252,771
Transfer – accrued interest on AT1 capital securities	–	–	–	–	–	–36,898	–36,898	36,898	–
Other comprehensive income	–	–	–	–98,257	–	–	–98,257	–	–98,257
TOTAL COMPREHENSIVE INCOME	**–**	**–**	**–**	**–98,257**	**–**	**215,872**	**117,615**	**36,898**	**154,513**
Transfer from/to	–	–	90,404	–	90,404	–	–	–	–
Appropriation of net result	–	–	–	–	381,197	–381,197	–	–	–
Interest coupon paid on AT1	–	–	–	–	–	–	–	–36,880	–36,880
BALANCE AS AT 31 DECEMBER 2020	**71,586**	**506,398**	**1,074,490**	**–141,382**	**1,953,371**	**215,872**	**3,680,335**	**497,937**	**4,178,272**

Notes to the company financial statements *continued*

All amounts are in thousands of euros, unless stated otherwise

20 Equity *continued*

Other reserves amounting to EUR 141 million (negative) include Translation adjustment reserve of EUR 133 million (negative). The Translation adjustment reserve is considered a legal reserve in accordance with Dutch Law. 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. The non-controlling interest of EUR 47 thousand (negative) included in the consolidated equity reconciles the Total Equity of the company to the consolidated equity.

Proposed profit appropriation

The Managing Board proposes to the general meeting of shareholders to add part of the net profit 2020 in the amount EUR 180.1 million to the retained earnings and to postpone a resolution as to the allocation of the net profit 2020 in the amount of EUR 35.7 million, and hence not to resolve on the distribution or allocation of this part of the net profit at this point in time. This amount of EUR 35.7 million is not included in CET1 capital, but will remain available for LeasePlan for either (i) future dividends once the ECB's recommendation has been revised or repealed, or (ii) inclusion in retained earnings.

21 Commitments

Loan commitments have been concluded with investments accounted for using the equity method amounting to EUR 180 million (2019: EUR 165 million) of which EUR 175.5 million (2019: 163.5 million) is drawn (reference is made to ***Note 11***).

Other commitments are related to rental lease payments which remain unchanged in the amount of EUR 5.8 million (2019: EUR 5.8 million). Furthermore residual value guarantees of EUR 0.8 million were issued in 2020 (2019: EUR 0.8 million).

22 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 2020 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 2.2 billion (2019: EUR 2.0 billion).

23 Subsequent events

No material events occurred after 31 December 2020 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 2020 or the result for the year then ended.

Amsterdam, 17 March 2021

Managing Board

Tex Gunning, CEO and Chairman

Jochen Sutor, CRO

Toine van Doremalen, CFO

Supervisory Board

Jos Streppel, Chairman

Steven van Schilfgaarde, Vice-Chairman

Manjit Dale

Allegra Cristina Carla van Hövell-Patrizi

Herta von Stiegel

Eric-Jan Vink

Paul Scholten

Other information

All amounts are in thousands of euros, unless stated otherwise

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*

All amounts are in thousands of euros, unless stated otherwise

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 ***Note 9*** of the consolidated financial statements for disposals of subsidiaries. LP Fleet Management Sdn. Bhd (Malaysia) has been liquidated in 2020.

Principal subsidiaries, which are fully included in the consolidated financial statements, are:

LeasePlan Australia Limited, Australia

LeasePlan Brasil Ltda., Brazil

LeasePlan Česká republika s.r.o., Czech Republic

LeasePlan Danmark A/S, Denmark

LeasePlan Deutschland GmbH, Germany

LeasePlan Digital B.V, the Netherlands

LeasePlan Finland Oy, Finland

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

LeasePlan Fleet Management Sdn. Bhd, Malaysia, liquidated on the 9 October 2020

LeasePlan México S.A. de C.V., Mexico

LeasePlan Nederland N.V., the Netherlands

LeasePlan New Zealand Limited, New Zealand

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

Euro Insurances Designated Activity Company, Ireland

LeasePlan Finance B.V., the Netherlands

LeasePlan Information Services Limited., Ireland

LeasePlan Global B.V., the Netherlands

CarNext B.V, the Netherlands

CNEXT MARKETPLACE PT, UNIPESSOAL LDA, Portugal

CarNext.com NO AS, Norway

PowerD B.V., the Netherlands

Special purpose companies with no shareholding by the Group are:

Bumper Australia Trust N0.1, Australia

Bumper 9 (NL) Finance B.V., the Netherlands

Bumper 10 France FCT, France

Bumper UK 2019-I, England

Bumper DE 2019-I, Germany

Bumper BE 2020-I, Belgium

Bumper NL 2020-I 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 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.)

CarNext B.V.

PowerD B.V.

Independent auditor's report

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 2020 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 2020 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 2020 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 2020 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 2020;

2 the following consolidated statements for 2020: 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 2020;

2 the statement of profit or loss of the company for 2020; 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 believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality
— Materiality of EUR 25 million
— 6% of average actual profit before tax

Group audit
— 98% of total assets
— 98% of revenue
— 98% of profit before tax

Key audit matters
— Valuation of operating lease assets
— Revenue recognition for service income

Opinion
Unqualified

Independent auditor's report *continued*

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 25 million (2019: EUR 27.5 million). The materiality is determined with reference to average profit before tax (6%). For 2019 we have normalised profit before tax for the impairment loss recognised in respect of intangible assets under construction of EUR 92 million in that year. For 2020, we consider average profit before tax as the most appropriate benchmark because we believe that it is a relevant metric for assessment of the financial performance of LeasePlan. We have averaged the most recent three years' profit before tax in order to exclude the COVID-19 temporary impact on 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 in excess of EUR 1.25 million (2019: EUR 1.4 million) which are identified during the audit, 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 42 components in 32 countries in 2020.

We have included 16 significant components in scope of our group audit, located in 14 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.

At the request of the Supervisory Board we also performed a full scope audit on 17 out of 26 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. In addition, on 8 October 2020, we hosted a virtual 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, IT and CarNext provided an overview of key developments in the organisation.

Independent auditor's report *continued*

We set component materiality levels, which ranged from EUR 1.5 million to EUR 10 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 the Netherlands, the Czech Republic, Brazil, Austria, Turkey, Poland and Norway;

— held virtual meetings with the component auditors in scope of our audit; and

— held virtual meetings with the IT audit team in Ireland and in the UK for group wide IT services and performed off-site file reviews.

In view of restrictions on the movement of people across borders, and also within significantly affected countries, we have considered making changes to the planned audit approach to evaluate the component auditors' communications and the adequacy of their work. Due to the aforementioned restrictions, visiting components was not practicable in the current environment. As a result, we have requested those component auditors to provide us with access to audit workpapers to perform these evaluations, subject to local law and regulations. In addition, due to the inability to arrange in-person meetings with such component auditors, we have increased the use of alternative methods of communication with them, including through written instructions, exchange of emails and virtual meetings.

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 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 cars on stock, goodwill impairment testing and taxation for the Dutch fiscal unity.

Independent auditor's report *continued*

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Managing Board, with oversight by the Supervisory Board. We refer to chapter

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and we inquired the Managing Board and the Audit Committee of the Supervisory Board as to whether the entity is in compliance with such laws and regulations and we inspected correspondence with De Nederlandsche Bank (DNB), Autoriteit Financiële Markten (AFM) and other relevant regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Independent auditor's report *continued*

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognised or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an indirect effect:

- Wet op het financieel toezicht (Wft);
- Anti Money Laundering (AML)/Financial Economic Crime (FEC);
- Capital requirement Directive IV (CRD IV); and
- Data privacy regulation (GDPR).

In accordance with the auditing standard we evaluated the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risks:

- valuation of operating lease assets;
- revenue recognition, in relation to service income; (a presumed fraud risk); and
- management override of controls (a presumed fraud risk).

We communicated the identified risks of fraud and non-compliance with laws and regulations throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit.

In all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matters, that are examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

We communicated our risk assessment and audit response to management and the Audit Committee of the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our response

We performed the following audit procedures (not limited) to respond to the assessed risks:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Company, including retrospective reviews of prior year's estimates. 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. These procedures also included testing of transactions back to source information.
- We incorporated elements of unpredictability in our audit.

Independent auditor's report *continued*

- We performed detailed testing on other emoluments in relation to the Managing Board.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.
- We considered the effect of actual, suspected or identified risk of non-compliance as part of our audit procedures on the related items in the financial statements.

We do note that our audit is based on the procedures described in line with applicable auditing standards. In addition to the requirements of the auditing standards we have performed the following additional procedures:

- We have performed procedures regarding the risk of cybercrime. These procedures are based on a KPMG questionnaire which is completed together with our IT audit team.

We do note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that management 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 errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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 the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report *continued*

Compared to last year the key audit matter with respect to information technology and system development is not included, as this matter specifically related to the financial year 2019.

Valuation of operating lease assets

Description

LeasePlan's portfolio of vehicles under operating lease contracts amounts to EUR 18.9 billion as at 31 December 2020. 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 significantly increased as a result of COVID-19 as evidenced by the increased volatility in second hand car prices. 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 tool'. Certain aspects of this assessment require significant judgement, such as 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 depreciation charge for the period could be misstated or that impairment losses are not recognised on a timely basis or measured incorrectly.

Due to the significance of the operating lease assets, the related risk of error and fraud 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.

Independent auditor's report *continued*

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. 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, inspected if customers are overall loss-making and assessed basis management's back testing of its ability to reduce losses over the lifetime of the lease term.

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 impairments and draw attention to note 19 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 balanced valuation of the vehicles leased under operating lease contracts. We reported to management and the Audit Committee our improvement observations on the control environment for the core leasing activities.

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 recognized 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.

For more information, reference is made to note 4 to the consolidated financial statements.

Our response

We have tested internal controls with respect to the various revenue streams and performed substantive audit procedures through test of details to assess the correct recording of revenue from lease contracts.

Our procedures focused 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). We specifically tested management estimates in relation to the margins for RMT services at reporting entity level. We also performed substantive testing on the cut-off results and related accruals on terminated contracts for both open and closed calculation contracts.

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 that consists of:

— chapters from 'At a glance' up to and including 'Governance & leadership'; and

— chapters 'Other information' and 'Glossary'.

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.

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

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 Company and its controlled undertakings:

— review of condensed consolidated interim financial statements for the first, second and third quarter 2020 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;

Independent auditor's report *continued*

- report on controls at a service organisation for the DGS reporting to DNB;
- agreed-upon procedures for the interest rate risk reporting to DNB;
- audit of the statutory financial statements of a number of securitisation vehicles controlled by LeasePlan; and
- assurance engagements with respect to prospectuses.

Description of responsibilities regarding the financial statements

Responsibilities of the 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.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing 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 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.

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: http://www.nba.nl/ENG_oob_01. This description forms part of our auditor's report.

Amstelveen, 17 March 2021

KPMG Accountants N.V.

D. Korf RA

Sustainability assurance report of the independent auditor

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 in the Annual Report 2020 ('the Report') of LeasePlan Corporation N.V. (‘the Company’).

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 selected sustainability indicators are the following:

- new EV orders (electric vehicles);
- average tailpipe CO_2 g/km per vehicle total fleet;
- percentage of female employees at top three layers;
- global employee engagement plus score; and
- tailpipe emissions CO_2 fleet.

The sustainability indicators are disclosed in the Report.

LeasePlan Corporation N.V. is the parent company of a group of entities. The Report incorporates the consolidated information of this group of entities to the extent as specified in the Sustainability chapter of the 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 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.

Sustainability assurance report of the independent auditor

continued

The reporting criteria used for the preparation of the selected sustainability indicators are the applied internal reporting criteria as disclosed in the section 'Limited assurance on non-financial indicators' in the 'Sustainability reporting' chapter of the annual report.

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.

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 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.

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.

Sustainability assurance report of the independent auditor

continued

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 in the Report. This includes the evaluation of the reasonableness of estimates made by the Managing Board.
- Obtaining an understanding of the reporting processes for the selected sustainability indicators, including obtaining a general understanding of internal controls 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; and
  - 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.
- Considering whether the selected sustainability indicators as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

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 identified following our review.

Amstelveen, 17 March 2021

KPMG Accountants N.V.

D. Korf 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
CLS	The SAP-based Core Leasing System (CLS) was the main IT system development project to harmonise processes across all countries
DNB	The Dutch Central Bank (De Nederlandsche Bank N.V.)
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
EOCF	End of Contract Fees
EU-12	Austria, Belgium, Czech Republic, Denmark, Finland, Greece, Hungary, Norway, Portugal, Poland, Sweden and Switzerland
EU-18	EU-6 together with EU-12
EU-6	France, Germany, Italy, Spain, the Netherlands and the United Kingdom
ECB	European Central Bank, which supervises LeasePlan as of 1 January, 2021, following its qualification as a significant institution under the relevant European banking regulations
EVs	Unless stated otherwise, electric vehicles are defined as Battery Electric Vehicles (BEVs) and Plug-in Hybrid Electric Vehicles (PHEVs)
FMCs	Fleet management companies
ICE	Internal combustion engine
LCV	Light commercial vehicles
NGDA	Next Generation Digital Architecture is our new, versatile, dynamic and modular system, which will enable us to offer a new range of smart fleet products and services to millions of customers
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
Roland Berger Report	Report by leading global consultancy Roland Berger GmbH, which embraces the Car-as-a-Service model. Please note that any reference to the Roland Berger Report is made on a strict non-reliance basis and that Roland Berger does not accept any liability in connection with such references

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