



GROUPE BPCE

Coopératifs, banquiers et assureurs autrement.

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Remuneration policies and practices for the persons defined in Article L. 511-71 of the French Monetary and Financial Code

Fiscal Year 2018

1. Scope of application

The Order of November 3, 2014 on the internal control of companies in the banking, payment services and investment services sector, which are subject to the supervision of the French Prudential Supervisory and Resolution Authority, stipulates in Article 268 that the information concerned by the application to companies subject to Article 450 of Regulation (EU) 575/2013, if applicable, must be published at the level of the group on which supervision is exercised on a consolidated basis.

This report, relating to remuneration for fiscal year 2018, collates the main information contained in the reports of Groupe BPCE companies, and the consolidated data from these reports.

The Groupe BPCE companies that are required to produce a report are the Group companies subject on an individual basis to Articles L. 511-71 et seq. of the French Financial and Monetary Code, i.e., in accordance with Articles 198 to 201 of the Order, the credit institutions, financing companies and investment firms, whose total balance sheet exceeds €10 billion.

There are 35 of these companies:

- the 14 Banques Populaires;
- the 15 Caisses d'Épargne, including the merger in 2018 between the CE Alsace and the CE Lorraine Champagne Ardennes under the name Caisse d'Épargne Grand Est Europe;
- The central institution, BPCE SA, and its subsidiary BPCE I identified as a "Material Business Unit" of BCPE SA;
- The main subsidiaries: BPCE SFH, Natixis, CFF, Compagnie de Financement Foncier and Banque Palatine.

Some of the Banques Populaires and Caisses d'Épargne have total balance sheets below €10 billion; however, it was decided to submit them to regulation on an individual basis with the aim of having equal treatment for comparable entities, and in light of the financial solidarity existing between companies in each of the two networks.

Other Group companies have been subject to regulation solely on a sub-consolidated and consolidated basis or as a significant operational entity of one of the companies subject to regulation on an individual basis. In this case, the information required for the Group company concerned has been included in the report of the company subject to regulation on an individual basis and which consolidates the financial statements of this company.

In accordance with Article 200 of the Order, the credit institutions, financing companies and investment firms with a total balance sheet of €10 billion or less are covered by the previous paragraph.

In accordance with Article 198, the portfolio management companies and insurance and reinsurance companies are not concerned.

Lastly, in accordance with Article 201, Group companies operating in other sectors are not concerned either, as none has a balance sheet in excess of €10 billion or has any activities representing a risk to the Group's solvency and liquidity.

2. Process for determining the persons defined in Article L. 511-71 of the French Monetary and Financial Code

In accordance with Directive 2013/36/EU (Articles 92 to 95) and its transposition into the French Monetary and Financial Code (sub-section 3 - Articles L. 511-71 to L. 511-88), which has been applicable since November 2014, and Commission Delegated Regulation (EU) 604/2014, which applies from the 2014 remuneration, Groupe BPCE companies identify the categories of staff whose work activities have a significant impact on the risk profile, on the basis of 15 qualitative criteria and 3 quantitative criteria defined in Commission Delegated Regulation (EU) 604/2014.

The definition of these criteria within Groupe BPCE was subject to a Group standard adopted by the Supervisory Board of BPCE SA. This standard was notified to all Group companies subject to regulation on an individual basis (the 35 companies referred to in paragraph 1), and each of these companies is responsible for also applying it to the companies included in their scope of sub-consolidation and subject to regulation on a consolidated or sub-consolidated basis.

Within each company, the list of employees identified is subject to an annual review by a panel with the participation of members of the Risk, Compliance and Human Resources departments.

3. Decision-making process concerning the company's remuneration policy

A Remuneration Committee has been established at all companies subject to regulation on an individual basis, except at Compagnie de Financement Foncier, an entity that has no employees and where the role of the Remuneration Committee is fulfilled by the Board of Directors.

At each company, the Remuneration Committee has at least three members of the decision-making body, of which some will be independent members.

The Remuneration Committee is chaired by an independent member meeting the recommendations of the AFEP-MEDEF Corporate Governance Code for Listed Companies.

The members of the Remuneration Committee cannot be corporate officers of the company, have an employment contract with the company or another Groupe BPCE company, or be members of the Audit Committee or Risk Committee.

The Remuneration Committee generally meets three or four times a year.

Its main task is to conduct an annual review of:

- the principles of the company's remuneration policy;
- the remuneration, compensation and benefits of any kind granted to corporate officers of the company;
- the remuneration of the Head of Risk Management and the Head of Compliance.

The Remuneration Committee expresses its opinion on the proposals of the Executive Management in relation to the persons defined in Article L. 511-71 and makes proposals to the Board of Directors or the Supervisory Board in respect of the remuneration policy principles applicable to these persons.

The Board of Directors or the Supervisory Board adopts the principles for the remuneration policy on the advice of the Remuneration Committee.

4. General principles

The remuneration policy for Group companies is a key factor in the implementation of the Group's strategy. The aim of this policy is to establish competitive levels of remuneration in respect of the Group's reference markets. It is designed to foster the long-term commitment of employees, while ensuring that risk and compliance are managed appropriately. It reflects both the individual and collective performance of its business lines.

Comparisons are made on a regular basis between the practices of Group companies and those of other banking entities in France and internationally, in order to ensure that the remuneration policy remains competitive and appropriate to each business line.

Overall remuneration in each company is structured around three components:

- fixed pay;
- variable pay determined on an annual basis for some or all employees;
- collective remuneration in relation to employee savings schemes.

All employees receive some or all of these components, depending on their responsibilities, skills and performance.

Fixed pay reflects the skills and responsibilities of employees and the expert knowledge required to carry out their duties, as well as their role and the importance of their function within the organisation. It is determined in accordance with the specific characteristics of each business line on its local market.

The annual variable pay is awarded when quantitative and qualitative targets, which are determined in advance and formalised at the annual review, have been achieved.

5. Ratio between fixed and variable components

The ratio between the fixed and variable remuneration components depends on staff categories and levels of responsibility.

In most of the companies, the ratio is limited to:

- 100% for the Chief Executive Officer or Chairman of the Management Board (120% for the Chairman of the Management Board of BPCE);
- 62.5% for the Deputy Chief Executive Officers or members of the Management Board;
- A percentage lower than 50% for other employees, with the percentage depending on their level of responsibility.

In certain cases (Banque Palatine, CFF, BPCE SA), some employees, who are not corporate officers of the company, may receive a variable remuneration in excess of 50%, but in any event, this will be capped at 100%.

Only BPCE SA, for the Chairman of the Management Board, BRED, for its market traders and Natixis may apply a ratio that exceeds 100% but is no higher than 200%, in accordance with the decision of their Annual General Shareholders' Meeting taken pursuant to the provisions of Article L. 511-78 of the French Monetary and Financial Code.

6. Features of the remuneration policy

The policy for the payment of variable remuneration to the persons defined in Article L. 511-71 of the French Monetary and Financial Code is set out below.

6.1 Groupe BPCE excluding Natixis

In accordance with Articles L. 511-71 to L. 511-85 of the French Monetary and Financial Code, the policy for the payment of variable remuneration (deferral, shares or other instruments/cash, clawbacks) is as follows:

Proportionality principle

The rules for paying variable remuneration only apply when the amount of variable pay awarded is €100,000 or more.

Where the amount of variable pay meets or exceeds this threshold, the rules for paying variable remuneration apply to the full amount of the variable pay.

Principle for deferred and conditional payment of a portion of variable pay

The payment of a portion of the variable pay awarded for a particular fiscal year is deferred and conditional.

In the event of death, any deferred and unvested portion vests immediately, with the application of any clawbacks.

This payment is spread over the three fiscal years after the year in which the variable pay was awarded, in three equal parts.

Amount of variable pay deferred

The percentage of variable pay that is deferred is 50% if the variable compensation is €100,000 or more, 60% if the variable compensation is €500,000 or more, or 70% if it is €1,000,000 or more.

Payment in shares or equivalent instruments

The Group's rules state that as Group companies (with the exception of Natixis) are not listed, the deferred component of variable pay takes the form of cash, which is indexed on the basis of an indicator representing the changes in value of Groupe BPCE.

The indicator selected is net income attributable to equity holders of the parent, calculated on a rolling average over the last three calendar years preceding the year in which it is awarded and the years in which it is paid.

The indexation coefficient for portions of variable pay awarded for 2015 and deferred to 2019 is 1.1370.

The indexation coefficient for portions of variable pay awarded for 2016 and deferred to 2019 is 1.0190.

The indexation coefficient for portions of variable pay awarded for 2017 and deferred to 2019 is 1.0245.

Taking into account the minimum additional retention period required by the regulations, the conditional payment of the deferred component of variable pay awarded for year Y is made at the earliest on 1 October of years Y+2, Y+3 and Y+4.

Application of clawbacks

In accordance with Article L. 511-83 of the French Monetary and Financial code, each decision-making body must determine the situations that could lead to a reduction in or a cancellation of deferred portions; for example, the Supervisory Board of BPCE SA, on the proposal of the Remuneration Committee, decided that the portion of deferred remuneration would only be paid if the standard ROE for Group business lines stands at 4% or above.

6.2 Natixis

Above a certain amount (€100,000 for the euro zone), payment of a fraction of variable compensation is subject to conditions and deferred over time. This payment is divided evenly over at least the three fiscal years following the year in which the variable compensation is awarded.

The deferred portion of the variable compensation awarded represents at least 40% of the variable compensation granted and 70% for those receiving the highest amounts of variable compensation. Variable compensation awarded in the form of shares or similar instruments represents 50% of variable compensation awarded to employees who are members of regulated categories of staff. This rule applies to both the deferred and conditional component of variable compensation awarded and the non-deferred portion of the variable compensation. The vesting period for this component of deferred variable compensation is supplemented by an additional holding period of six months.

The members of the Natixis General Management Committee are also eligible for performance share awards under long-term plans, the four-year vesting period of which is contingent on the relative performance of the Natixis share.

The structure of the remuneration for regulated categories of staff for 2018 and the payment timetable are summarised in the chart below.

Structure of remuneration for regulated categories of staff for 2018 – payment timetable



The vesting of deferred components of variable compensation is contingent on satisfying performance requirements linked to the results of the company, and/or the business line, and/or the product line, and on Natixis’ compliance with regulations on equity capital requirements. These conditions are clearly indicated when this compensation is awarded.

The components of deferred variable compensation may be reduced or eliminated during the vesting period, in the event of behavior liable to expose Natixis to an unusual and material risk.

In addition, regulated employees, and also front-office employees working in market activities, are specifically subject on an annual basis to the achievement of predetermined targets in terms of risks and compliance: conduct in terms of adhering to the risk and compliance rules is systematically taken into account when awarding annual variable compensation.

Guaranteed variable compensation is not authorized, except when hiring outside Groupe BPCE. In such cases, the guarantee is strictly limited to one year. Guarantees of payment in the event of early termination of an employment contract (outside the conditions provided for by law and in collective agreements) are prohibited (ban on "golden parachutes").

All beneficiaries of deferred variable compensation are prohibited from using individual hedging or insurance strategies during both the vesting period and lock-up period.

7. Aggregate quantitative information

Table 1

Aggregate quantitative information on remuneration, broken down by business area

Article 450 g) of Regulation (EU) 575/2013

Amounts in € 000	Governing body - executive function	Governing body - supervisory function ⁽¹⁾	Investment Banking	Retail banking	Asset management	Support Functions	Independent Audit Function	Other	Total
Staff ⁽²⁾	138.0	59.6	286.6	400.6	25.2	478.1	372.1	116.2	1,848.9
Fixed pay	36,270	1,722	74,047	39,120	1,942	48,780	36,887	12,232	251,000
Variable pay	25,991		64,239	8,301	298	11,675	8,552	5,402	124,458
Total pay	62,262	1,722	138,286	47,421	2,240	60,455	45,439	17,634	375,459

⁽¹⁾ Limited to BPCE SA, BPCE SFH, Natixis, CFF, Compagnie de Financement Foncier and Banque Palatine

⁽²⁾ Staff = in proportion to time worked – to prevent double counting in each area of activity and the total

Table 2

**Aggregate quantitative information on pay, broken down by senior management
and members of staff whose actions have a material impact on the risk profile of the institution**

Article 450 h) of Regulation (EU) 575/2013

Amounts in € 000	Governing body (1)	Other	Total
Staff (2)	178.6	1,678.9	1,848.9
Total compensation	63,984	311,475	375,459
- o/w fixed compensation	37,992	213,008	251,000
- o/w variable compensation	25,991	98,467	124,458
- o/w non-deferred compensation	14,760	63,647	78,407
- o/w cash	13,089	46,121	59,210
- o/w shares and related instruments	1,671	17,526	19,197
- o/w other instruments	0	0	0
- o/w deferred compensation	11,231	34,820	46,051
- o/w cash	2,273	15,926	18,199
- o/w shares and related instruments	8,958	18,894	27,852
- o/w other instruments	0	0	0
Outstanding amount of variable pay awarded for previous years - unvested	17,006	67,023	84,029
Amount of variable pay awarded for previous years - vested (after reductions)	5,041	2,049	7,090
- Amount of reductions applied	0	0	0
Severance pay awarded			16,765
Number of recipients of severance pay			48
Highest amount of severance pay awarded			
Sign-on payments			1,112
Number of recipients of sign-on payments			6

(1) For the supervisory function: limited to BPCE SA, BPCE SFH, Natixis, CFF, Compagnie de Financement Foncier and Banque Palatine

(2) Staff = in proportion to time worked – to prevent double counting in each area of activity and the total

Table 3

Aggregate quantitative information on pay of between €1 million and €5 million
Article 450 i) of Regulation (EU) 575/2013

Total pay	Staff
€1 - 1.5 million	19
€1.5 - 2 million	6
€2 - 2.5 million	2
€2.5 - 3 million	1
€3 - 3.5 million	1
More than €3.5 million	None

Table 4

Quantitative information on the variable pay components paid in respect of 2018 to regulated categories of staff under CRD IV

€ million	Amount at time of award	Amount at time of payment*	Amount of reductions applied in 2018**
Amount of variable pay awarded for 2017 paid in 2018	62	60	0
Amount of deferred variable pay awarded for 2014, 2015 and 2016 paid in 2018	37	40	0
Valuation on the vesting date of performance shares delivered in 2018	3	5	0
Total	102	105	0

**Including deferred bonus buyouts*

***Corresponding to the application of performance conditions*