

BPCE SA

Remuneration policy and practices governing the persons referred to in Article L.511-71 of the French Monetary and Financial Code

Fiscal year 2019

1. Description of the remuneration policy applied by the company

This remuneration policy complies with the principles of the Group remuneration policy.

The remuneration policy for Groupe BPCE employees is integral to the implementation of Group strategy. Its objective is to provide incentive and be competitive compared to the practices observed on the market (local, business line in various activities) in order to attract talented people, while retaining and motivating existing employees.

It is also intended to be equitable in order to ensure that collective and individual performances are fairly rewarded.

The policy complies with applicable banking and financial sector regulations.

Compensation surveys are conducted regularly by specialized firms to verify that the various components of remuneration are consistent with market practices, and to implement any necessary corrective measures if not.

The employees of BPCE SA receive fixed pay based on their classification level in accordance with the bank's collective bargaining agreement, and on their level of responsibility. Employees with a classification level of J or higher also receive contractual variable remuneration based on targets associated with their position.

For employees who are not members of the Executive Management Committee, the maximum variable pay rate ranges from 8% to 50% of fixed compensation depending on their level of seniority, classification and responsibility, and may exceptionally go as high as 80%.

The conditions applicable to members of the Executive Management Committee are described below in the section covering the general principles of the remuneration policy applicable to risk-takers.

In addition, employees are entitled to take part in the company profit-sharing scheme, of which the overall amount is capped at 12% of the total payroll, when the contractually defined target are met.

2. Decision-making process used to define the remuneration policy

The Remuneration Committee comprises chairmen of boards of directors of Banques Populaires, chairman of steering and supervisory boards of Caisses d'Epargne, a Banque Populaire chief executive officer, a Caisse d'Epargne management board chairman, a BPCE supervisory board employee representative and an independent member.

The Committee is chaired by an independent member meeting the criteria recommended by the AFEP-MEDEF Corporate Governance Code.

The members of the Committee may not be BPCE corporate officers.

Ms. Valérie Pancrazi, independent member, VAP CONSEILS independent advisor, has chaired the Remuneration Committee since May 9, 2019, replacing Ms. Maryse Aulagnon. At December 31, 2019, the other members of the Committee were:

- ✓ Ms. Catherine Amin-Garde, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Loire Drôme Ardèche
- ✓ Gérard Bellemon, Chairman of the Board of Directors of Banque Populaire Val de France
- ✓ Bernard Dupouy, Chairman of the Board of Directors of Banque Populaire Aquitaine Centre Atlantique
- ✓ Yves Gevin, Chief Executive Officer of Banque Populaire Rives de Paris
- ✓ Vincent Gontier, employee representative
- ✓ Dominique Goursolle-Nouhaud, Chairman of the Steering and Supervisory Board of Caisse d'Épargne Aquitaine Poitou-Charentes
- ✓ Didier Patault, Chairman of the Management Board of Caisse d'Épargne Ile-de-France

The Committee met twice in 2019 and examined:

- the guidelines of the remuneration policy adopted by the company and the group, including the remuneration policy for categories of staff whose professional activities have a material impact on the risk profile of the company or group (risk-takers);
- compensation, allowances and benefits of any kind granted to the company's corporate officers;
- compensation granted to the Head of Risk Management and the Head of Compliance.

The Remuneration Committee expressed its opinion on the motions submitted by Executive Management regarding the risk-takers population and on the guidelines of the remuneration policy for this population.

3. Description of the remuneration policy

Composition of the risk-takers population

In accordance with Delegated Regulation (EU) No. 604/2014, Groupe BPCE companies identify the categories of staff whose professional activities have a material impact on the Group's risk profile.

Articles 198 to 201 of the Ministerial Order of November 3, 2014 on internal control of companies in the banking, payment services and investment services sector, subject to supervision by the ACPR, define the conditions for the application of remuneration policy rules to institutions based on their size and internal structure as well as the nature, scale and complexity of their business.

For BPCE SA, a credit institution with total balance sheet assets of more than €10 billion, the following categories have been identified in accordance with various criteria:

- Members of the Management Board;
- Members of the Supervisory Board;
- Members of the Executive Management Committee;
- Heads of the three control functions and the N-1 subordinates which they identified;
- Heads of the following support functions: Legal, Finance, Budget, Tax, Human Resources, Remuneration Policy, Information Technologies, Economic Analysis;
- Decision-making members of the following Finance and Risk Committees:
 - Group Strategic ALM Committee,
 - Group Accounting Standards & Methods and Oversight Committee,
 - Group Risk Management and Compliance Committee,
 - Group Watchlist and Provisions Committee,
 - Standards & Methods Committee,
 - Group Non-Financial Risks Committee,
 - Risk Management, Compliance and Permanent Control Committee dedicated to Group institutions,
 - BPCE SA Risk Management and Compliance Committee,
 - BPCE SA ALM Committee,
 - Caisses d'Epargne Credit Risk Committee,
 - Banques Populaires Credit Risk Committee,
 - Group Credit and Counterparty Risk Committee,
 - Group Market Risk Committee,
 - CEVANOP Committee (new products).

The members of all the above committees who come from outside BPCE SA are identified in respect of their company.

- Employees liable to commit at least 0.5% of BPCE SA's Common Equity Tier 1 capital;
- Supervisors of the above employees;
- Heads of BPCE's in-house SRAB/Volcker units;
- Employees who were granted compensation in 2018 (fixed + variable) of €500k or more;
- Employees who were granted compensation in 2018 (fixed + variable) which ranked them in the top 0.3% of the highest earners;

Furthermore, as BPCE I, BPCE Factor, BPCE Lease, BPCE SA subsidiaries and the Management of BPCE SA "Financial Solutions and Expertise" are identified as material business units, their executive managers, their heads of risk management and their respective N-1 subordinates are identified as risk-takers.

In total, 20 Supervisory Board members and 83 employees (company directors and operational staff) were identified in fiscal year 2019.

This list was reviewed by the Group Risk Division and the Group Corporate Secretary's Office. It was submitted to the Executive Management Committee for validation and presented to the Remuneration Committee.

General principles of the remuneration policy

There are three categories of staff in the regulated population.

Members of the Supervisory Board

Their pay consists exclusively of attendance fees and, for the Chairman a duty allowance, of predetermined amounts. They do not receive any variable pay in respect of their office.

Management Board and Members of the Executive Management Committee

Fixed compensation received by the Chairman and members of the Management Board for fiscal year 2019:

Laurent Mignon, Chairman of the Management Board:

Fixed annual compensation: €1,200,000 (including a special supplement in accordance with the supplemental pension scheme pursuant to Article 82 of the French General Tax Code);

Christine Fabresse, Member of the Management Board - Retail Banking and Insurance division:

Fixed annual compensation: €500,000;

Catherine Halberstadt, Member of the Management Board - Group Human Resources division:

Fixed annual compensation: €500,000;

Nicolas Namias, Member of the Management Board - Chief Financial Officer and Head of Corporate Strategy:

Fixed annual compensation: €600,000 (including a special supplement in accordance with the supplemental pension scheme pursuant to Article 82 of the French General Tax Code);

François Riahi, Member of the BPCE Management Board, Chief Executive Officer of Natixis, does not receive compensation for his duties as a member of the BPCE Management Board. The remuneration that he receives is for his duties as Chief Executive Officer of Natixis.

Note: the members of the Management Board (except for the Chairman and the Member of the Management Board - Chief Executive Officer of Natixis) hold an employment contract with BPCE. The establishment of the employment contract was authorized and approved by the Supervisory Board on February 13, 2018 and the related-party agreements were approved by the General Shareholders' Meeting on May 24, 2019. Their pay is divided 90%/10%, respectively, between the employment contract and corporate office.

The principles and rules for determining their remuneration and other benefits granted in respect of their office and employment contract are approved by the Supervisory Board based on a motion by the Remuneration Committee.

For variable remuneration:

For the Chairman of the Management Board, target variable remuneration set at 100% of fixed remuneration with a maximum of 120% if targets exceeded;

For the other members of the Management Board, target variable remuneration set at 80% of fixed remuneration with a maximum of 100% if targets exceeded.

Variable compensation in respect of 2019 is only granted if the following criterion is met:

Group Basel 3 CET1 ratio of more than 11% at 31/12/2019; this target consists of the minimum CET1 ratio plus the P24 and the phased-in combined buffers cited by the ECB in its letter of February 14, 2019.

This criterion was met for fiscal year 2019: the CET1 ratio was 15.6% at December 31, 2019.

The targets are assessed using quantitative criteria, representing 60% of variable remuneration, and qualitative criteria, representing 40% of variable remuneration.

- Quantitative criteria (60%): Net income attributable to equity holders of the parent for 30%, Cost/income ratio for 20% and NBI for 10%.
- Qualitative criteria (40%), i.e. 5 criteria: Retail banking and Insurance, Group Human Resources, Finance and Strategy, Supervision - Control - Governance, Digital and Information Systems.

The target variable remuneration for other members of the Executive Management Committee is also set at 80% of their fixed remuneration, with a maximum of 100% if targets are exceeded, except for the Deputy Chief Executive Officer in charge of risks, whose variable remuneration may not exceed 70% of fixed remuneration in respect of fiscal year 2019. With the exception of the Corporate Secretary (who also heads Compliance) and the Deputy Chief Executive Officer in charge of risks, who have their own specific targets, the targets of the other members of the Executive Management Committee are aligned with the criteria applicable to the variable remuneration granted to the members of the Management Board.

Overall, for all BPCE SA employees, variable remuneration may not exceed 100% of fixed remuneration, except for the Chairman of the Management Board (variable remuneration capped at 120% of fixed remuneration).

Remuneration policy for risk-takers

Group standard

The remuneration policy established by Groupe BPCE for risk takers complies with Articles L511-71 to L511-85 of the French Monetary and Financial Code.

This policy, and the regulatory conditions of application throughout the Group, are subject to a Group standard and updated on a regular basis, subsequent to the internal independent assessment conducted yearly by the Group's Inspection Générale division and the internal audit function. The most recent version of the standard was adopted by the Supervisory Board on February 6, 2020.

Minimum capital threshold

The Group standard set a minimum capital threshold, which must be met for variable remuneration to be granted to all Group risk-takers. For fiscal year 2019, this threshold was the same as the one applied to members of the BPCE Management Board (see above).

Financial position

Each year, before granting variable remuneration, the BPCE Remuneration Committee determines if the company's financial position and the actual performances achieved by risk-takers in their scope of sub-consolidation are compatible with the attribution of variable remuneration. Based on this review, it may recommend reducing the percentage of variable remuneration granted.

Reduction of variable remuneration for bad behavior

A penalty system for bad behavior has also been established, in accordance with the general framework defined by the Group standard. The general framework defines three types of offenses:

- Major offense: impact exceeding the major incident threshold for the Group (€300k) – variable remuneration reduced by up to -10%;
- Material offense: impact exceeding the material incident threshold for the Group (0.5% of the institution's capital) – variable remuneration reduced by up to -100%;
- Failure to participate in mandatory regulatory training: -5% per training course.

In respect of fiscal year 2019, the committee in charge of penalties for bad behavior found that there were no penalties called for in response to major or material transactions or failure to participate in mandatory regulatory training. Consequently, no variable remuneration granted by BPCE was reduced.

SRAB and Volcker regulations

Systematically including the heads of the in-house SRAB/Volcker units in the risk-takers population ensures that the remuneration policy for these employees complies with SRAB and Volcker regulations.

Lastly, when the amount of variable remuneration granted is €100,000 or more, the following rules apply to the variable remuneration policy. These rules apply to the total amount of variable remuneration granted.

Deferred and conditional payment of a fraction of variable remuneration

Payment of a fraction of variable remuneration granted in respect of a given fiscal year is deferred over time and conditional.

This payment is divided into three equal installments spread out over the three fiscal years following the grant year.

Amount of deferred variable remuneration

The percentage of deferred variable remuneration is 50% (60% if variable remuneration is €500,000 or more, and 70% if €1,000,000 or more).

Payment in shares or equivalent instruments

As BPCE SA is not listed, the deferred component of variable remuneration is paid in cash indexed to an indicator representing the change in the value of Groupe BPCE.

The indicator used is the ratio of net income attributable to equity holders of the parent, calculated as a rolling average over the last three calendar years preceding the grant year and the payment years.

The escalator for fractions of variable remuneration granted in respect of 2016, with payment deferred to 2020, is 1.0919

The escalator for fractions of variable remuneration granted in respect of 2017, with payment deferred to 2020, is 1.0560.

The escalator for fractions of variable remuneration granted in respect of 2018, with payment deferred to 2020, is 1.0297.

Given that a minimum holding period is imposed in accordance with regulations, the conditional payment of the deferred component of variable remuneration in respect of Year N is carried out no earlier than October of Years N+2, N+3 and N+4.

Application of penalties to deferred portions of variable remuneration

Pursuant to Article L.511-83 of the French Monetary and Financial Code, the Supervisory Board resolved, based on a motion by the Remuneration Committee, that the deferred portion of variable remuneration would only be paid if the normative RoE of Group business lines were 4% or higher.

Aggregate quantitative disclosures

Table 1

Amounts in €	Governing body executive function	Governing body supervisory function	Investment Banking	Retail banking	Asset management	Support Functions	Independent Audit Function	Others	Total
Staff	6	20	0	16	0	32	29	0	103
Fixed compensation	3 300 000 €	961 910 €	0 €	3 042 037 €	0 €	6 894 311 €	4 423 457 €	0 €	18 621 715 €
Variable compensation	3 021 120 €	0 €	0 €	1 825 289 €	0 €	3 509 490 €	1 772 232 €	0 €	10 128 131 €
Total compensation	6 321 120 €	961 910 €	0 €	4 867 326 €	0 €	10 403 801 €	6 195 689 €	0 €	28 749 846 €

Table 2

Amounts expressed in €	Management body	Other	Total
Employees	26	77	103
Total compensation	7 283 030 €	21 466 816 €	28 749 846 €
o/w fixed compensation	4 261 910 €	14 359 805 €	18 621 715 €
o/w variable compensation	3 021 120 €	7 107 011 €	10 128 131 €
o/w non-deferred compensation	1 208 448 €	5 042 101 €	6 250 549 €
o/w cash	1 208 448 €	5 042 101 €	6 250 549 €
o/w shares and related instruments	0 €	0 €	0 €
o/w other instruments	0 €	0 €	0 €
o/w deferred compensation	1 812 672 €	2 064 910 €	3 877 582 €
o/w cash	0 €	0 €	0 €
o/w shares and related instruments	1 812 672 €	2 064 910 €	3 877 582 €
o/w other instruments	0 €	0 €	0 €

Table 3

Amounts expressed in €	Management body	Other	Total
Total amount of outstanding deferred variable remuneration awarded in previous periods not vested	2 481 385 €	2 042 193 €	4 523 578 €
Total amount of outstanding deferred variable remuneration awarded in previous periods vested in 2019 (amount awarded)	964 039 €	667 427 €	1 631 466 €
Total amount of outstanding deferred variable remuneration awarded in previous periods vested in 2019 (amount paid)	1 026 426 €	702 204 €	1 728 630 €
Amount of reductions to deferred compensation	0 €	0 €	0 €
Severance pay awarded	0 €	751 630 €	751 630 €
Number of recipients of severance pay	0	3	3
Sign-on payments	0 €	0 €	0 €
Number of recipients of sign-on payments	0	0	0

Table 4

Aggregate quantitative disclosures on remuneration ranging from €1,000,000 to €5,000,000

Total compensation	Number of employees
From €1 million to €1.5 million	1
From €1.5 million to €2 million	0
From €2 million to €2.5 million	1
More than €2.5 million	None