

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 2020

This report is required under Article 266 of the Ministerial Order of November 3, 2014 relating to the internal control of banking sector, payment services and investment services companies supervised by the French prudential supervisory authority for the banking and Insurance sector. It is sent to the ACPR after review by BPCE SA's Supervisory Board.

Description of the remuneration policy applied by the company

The remuneration policy for BPCE SA employees is integral to the implementation of strategy. Its objective is to provide an 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, including persons defined in Article L. 511-71 of the French Monetary and Financial Code.

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.

Remuneration 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, where the performance rate equates to 100%, the variable pay rate ranges from 8% to 50% of fixed remuneration 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 targets are met.

Remuneration policy applicable to risk-takers

A. Composition of the risk-taker population

In accordance with Delegated Regulation (EU) No. 604/2014, Groupe BPCE credit institutions, finance companies and investment firms 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,
 - Group Model Committee,
 - Model Risk Management Committee,
 - BPCE SA Risk Management and Compliance Committee,
 - BPCE SA ALM Committee,
 - FSE Risk and Compliance Committee,
 - Caisses d'Épargne Credit Risk Committee,
 - Banques Populaires Credit Risk Committee,
 - Group Credit and Counterparty Risk Committee,
 - Group Market Risk Committee,
 - Market Validation Committee (new products),
 - COVAMM 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 SA's in-house SRAB/Volcker units;
- Employees who were granted remuneration in 2019 (fixed + variable) of €500k or more;
- Employees who were granted remuneration in 2019 (fixed + variable) which ranked them in the top 0.3% of the highest earners;

Furthermore, as BPCE Factor, BPCE Lease, Socfim, 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, 19 Supervisory Board members and 95 employees (company directors and operational staff) were identified in fiscal year 2020.

This list was reviewed by the Group Human Resources division, 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.

B. Remuneration policy for risk-takers

Group standard for risk-takers

The remuneration policy established by Groupe BPCE for risk takers complies with Articles L. 511-71 to L. 511-85 of the French Monetary and Financial Code.

This policy, and the regulatory conditions of application throughout the Group, are subject to a Group standard for risk-takers. This standard is updated on a regular basis in accordance with regulatory changes. The most recent version of the standard was adopted by the Supervisory Board of BPCE on March 26, 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 2020, this threshold was the same as the one applied to members of the BPCE Management Board (see below).

Financial position

Each year, before granting variable remuneration, the BPCE SA 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 2020, 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

The methods for indexing portions of deferred variable remuneration are set by BPCE's Supervisory Board allocating variable remuneration.

For remuneration granted in respect of 2020, 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. Indexing coefficients are calculated by applying the underlying net income attributable to equity holders of the parent over the last three calendar years preceding the allocation year and the payment year.

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.

Performance condition applicable 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.

C. Details of the remuneration policy applicable to risk-takers

There are three categories of risk-takers in the regulated population.

1. Members of the Supervisory Board

Their pay consists exclusively of attendance fees and, for the Chairman a duty allowance, whose amount is predetermined by the Board. They do not receive any variable remuneration in respect of their office.

2. Management Board and Members of the Executive Management Committee

Fixed remuneration received by the Chairman and members of the Management Board for fiscal year 2020:

Laurent Mignon, Chairman of the Management Board:

Annual fixed remuneration: €1,200,000 (including a special supplement in accordance with the supplemental pension scheme pursuant to Article 82 of the French General Tax Code); plus the "CGP/R2E compensation allowance" of €140,529 (set up as of January 1, 2020, with no change in cost for the employer, due to the cap on contribution bases for the supplementary pension plans in force at BPCE SA);

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

Annual fixed remuneration: €500,009 plus the "CGP/R2E compensation allowance" of €39,456;

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

Annual fixed remuneration: €500,024 plus the "CGP/R2E compensation allowance" of €42,154;

Nicolas Namias, Member of the Management Board, Group Finance and Strategy until August 3, 2020:

Annual fixed remuneration: €600,000 (including a special supplement in accordance with the supplemental pension scheme pursuant to Article 82 of the French General Tax Code); plus the “CGP/R2E compensation allowance” of €30,505;

Jean-François Lequoy, Member of the Management Board, Group Finance and Strategy from September 14, 2020:

Annual fixed remuneration: €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 BPCE’s Management Board, Chief Executive Officer of Natixis until August 3, 2020 and subsequently Nicolas Namias, who replaced him in these duties as of August 4, 2020, do not receive remuneration for their duties as Member of BPCE’s Management Board and Chief Executive Officer of Natixis. The remuneration that they receive is for their 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 implementation of this employment contract was authorized and approved by the Supervisory Board on February 13, 2018. These commitments were carried out in accordance with the related-party agreements procedure. 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 remuneration awards in respect of 2020 are subject to the implementation of a trigger criterion, i.e. compliance with a Basel III Group CET1 ratio. This level corresponds to the minimum CET1 level, plus the P2R, the P2G and the phase-in combined buffers as requested by the ECB.

This condition was met for fiscal year 2020.

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

- Quantitative criteria: Net income attributable to equity holders of the parent for 30%, Cost/income ratio for 20% and NBI for 10%.
- Qualitative criteria (40%), determined based on key objectives in terms of Retail Banking & Insurance, Financial Solutions & Expertise, Group human resources; Finance & Strategy; Supervision, Control and Governance, Digital & Information Systems and a cross-business objective associated with the strategic plan.

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 exceeded. 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.

3. Other risk-takers

The employees of BPCE SA receive fixed remuneration 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 variable remuneration rate ranges from 8% to 50% of fixed remuneration depending on their level of seniority, classification and responsibility, and may exceptionally go as high as 80%.

Overall, for all BPCE SA risk-takers, 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).

Role of the Remuneration Committee with regard to BPCE risk-takers

The Remuneration Committee is made up of the Chairmen of the Boards of Directors of the Banques Populaires, the Chairmen of the Steering and Supervisory Boards of the Caisses d'Epargne, a Chief Executive Officer from a Banque Populaire, a Chairman from a Management Board of a Caisse d'Epargne, an employee representative on BPCE's Supervisory Board and an independent member.

The Committee is chaired by an independent member meeting the criteria recommended by the Corporate Governance Code for listed companies.

Valérie Pancrazi, independent member, independent advisor of VAP Conseils, chairs the Remuneration Committee. At December 31, 2019, the other members of the Committee were:

- ✓ Catherine Amin-Garde, Chairwoman of the Steering and Supervisory Board of Caisse d'Epargne 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'Epargne Aquitaine Poitou-Charentes;
- ✓ Didier Patault, Chairman of the Management Board of Caisse d'Epargne Île-de-France.

The Committee met four times in 2020.

It conducted a review of:

- 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);
- remuneration, allowances and benefits of any kind granted to the company's corporate officers;
- the remuneration 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.

Aggregate quantitative disclosures

Table 1

Aggregate quantitative disclosures on remuneration, broken down by activity

Amounts awarded in respect of 2020 – excluding employer contributions – in €	Governing body executive function	Governing body supervisory function	Investment Banking	Retail banking	Asset management	Support Functions	Independent Audit Function	Others	Total
Employees	7	19	0	16	0	38	34	0	114
Fixed compensation	€3 524 020	€975 600	€0	€3 215 424	€0	€7 776 356	€5 289 076	€0	€20 780 476
Variable compensation	€1 955 712	€0	€0	€2 081 300	€0	€3 078 092	€1 651 840	€0	€8 766 945
Total compensation	€5 479 732	€975 600	€0	€5 296 724	€0	€10 854 448	€6 940 916	€0	€29 547 420

Table 2

Aggregate quantitative disclosures on remuneration, broken down for managerial staff and staff members whose professional activities have a material impact on the institution's risk profile.

Amounts awarded in respect of 2020 – excluding employer contributions – in €	Management body	Other	Total
Employees	26	88	114
Total compensation	€6 455 332	€23 092 088	€29 547 420
o/w fixed compensation	€4 499 620	€16 280 856	€20 780 476
o/w variable compensation	€1 955 712	€6 811 233	€8 766 945
o/w non-deferred compensation	€894 792	€4 771 903	€5 666 695
o/w cash	€894 792	€4 771 903	€5 666 695
o/w shares and related instruments	€0	€0	€0
o/w other instruments	€0	€0	€0
o/w deferred compensation	€1 060 920	€2 039 330	€3 100 250
o/w cash	€0	€0	€0
o/w shares and related instruments	€1 060 920	€2 039 330	€3 100 250
o/w other instruments	€0	€0	€0

Table 3

Other remuneration components of risk-takers

Amounts in € – excluding employer contributions	Management body	Other	Total
Amounts of deferred variable remuneration awarded in respect of fiscal years prior to 2020 not vested	€3 394 799	€2 989 665	€6 384 464
Amounts of deferred variable remuneration awarded in respect of fiscal years prior to 2020 and paid in 2020 (amount awarded)	€1 302 310	€715 884	€2 018 193
Amounts of deferred variable remuneration awarded in respect of fiscal years prior to 2020 and paid in 2020 (amount paid)	€1 370 819	€751 697	€2 122 516
Amounts of reductions to deferred compensation in 2020 as a result of the year's performance	€0	€0	€0
Amounts of severance payments awarded in 2020	€0	€76 157	€76 157
Number of recipients of severance pay	0	1	1
Highest amounts of severance payments awarded	€0	€76 157	€76 157
Amounts paid to new hires in 2020	€0	€0	€0
Number of beneficiaries of new hire payments granted	0	0	0

Table 4**Aggregate quantitative disclosures on remuneration ranging from €1,000,000 to €5,000,000**

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