



# **GROUPE BPCE**

Coopératifs, banquiers et assureurs autrement.

## **GROUPE BPCE**

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

#### **Fiscal year 2020**

##### **1. Scope of consolidation**

Article 268 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, states that the information referred to in Article 450 of Regulation (EU) No. 575/2013 is, where applicable, published at the level of the group subject to supervision on a consolidated basis.

This report covering remuneration granted in respect of fiscal year 2020 combines the main information contained in the reports of Groupe BPCE entities subject to disclosure requirements, and the consolidated data calculated from said reports.

The Groupe BPCE entities subject to disclosure requirements are the Banques Populaires, the Caisses d'Épargne and Group companies subject individually to Articles L. 511-71 and following of the French Monetary and Financial Code, i.e. for fiscal year 2020, credit institutions, finance companies and investment firms with total balance sheet assets exceeding €10 billion.

There is a total of 35 such companies:

- the 14 Banques Populaires;
- the 15 Caisses d'Épargne;
- the central institution, BPCE SA;
- the subsidiaries: BPCE SFH, Natixis, CFF, Compagnie de Financement Foncier, Banque Palatine.

Other Group companies are subject to the regulation on a sub-consolidated and consolidated basis only, or as a material business unit of a company subject to the regulation on an individual basis. In such case, the information required for the Group company in question has been included in the report prepared by the entity subject to the regulation on an individual basis and which consolidates that company's financial statements. For example, BPCE Factor, BPCE Lease or Socfim, all material business units of BPCE SA, are included in the report prepared by BPCE SA.

For fiscal year 2020, credit institutions, finance companies and investment firms with total balance sheet assets of €10 billion or less are covered by the preceding paragraph.

Conversely, portfolio management companies and insurance/reinsurance companies are not covered.

Lastly, Group companies operating in other sectors are also not covered because none has balance sheet assets exceeding €10 billion or run a business generating risks for Group solvency and liquidity.

## **2. Process used to identify the persons referred to in Article L. 511-71 of the French Monetary and Financial Code**

In accordance with European Directive 2013/36/EU (Articles 92 to 95), its transposition into the French Monetary and Financial Code (Articles L. 511-71 to L. 511-88), and Commission Delegated Regulation No. 604/2014, Groupe BPCE companies identify the categories of staff whose professional duties have a material impact on the Group's risk profile, based on 15 qualitative criteria and three quantitative criteria defined in Commission Delegated Regulation No. 604/2014.

These criteria are deployed throughout Groupe BPCE in accordance with a Group standard adopted by the BPCE SA Supervisory Board. This standard is distributed to all Group companies subject to the regulation on an individual basis (the 35 companies listed in paragraph 1), each of which is responsible for also applying the standard to the companies included in their sub-consolidation scope and subject to the regulation on a consolidated or sub-consolidated basis.

The list of identified employees at each company is collectively reviewed once a year by the Risk Division, the Compliance Division and the Human Resources Division.

## **3. Remuneration policy decision-making process**

A Remuneration Committee has been established at all companies subject to the regulation on an individual basis, with the exception of Compagnie de Financement Foncier, an entity with no employees, where the duties of the Remuneration Committee are performed by the Board of Directors.

Each Remuneration Committee comprises at least three members of the decision-making body, including independent members.

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 company directors.

The Committee generally meets two to three times a year and conducts an annual review of:

- the guidelines of the company's remuneration policy;
- 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 expresses its opinion on the motions submitted by Executive Management regarding the persons defined in Article L.511-71, and recommends remuneration guidelines for this category of personnel to the Board of Directors or Supervisory Board.

The Board of Directors or Supervisory Board adopts the guidelines of the remuneration policy, as proposed by the Remuneration Committee.

#### **4. General principles**

The remuneration policy of Group companies is integral to the implementation of Group strategy. Its purpose is to establish competitive levels of remuneration in respect of the Group's reference markets, and it is structured in such a way to promote employee engagement over the long term while ensuring adequate management of risks and compliance. It reflects the individual and collective performances of its business lines.

Comparisons are regularly drawn between the practices of Group companies and those of other banks in France and around the world, in the interest of ensuring that the remuneration policy of Group companies remains competitive and appropriate for each business line.

At each company, total pay is made up of three components:

- fixed pay;
- annual variable pay for some or all employees;
- collective remuneration associated with employee savings schemes.

Employees receive some or all of these components, in accordance with their duties, skills and performance.

Fixed pay reflects the skills, duties and expertise expected for a given position, as well as the role and significance of the position in the company's structure. It is determined in accordance with the specific conditions of each business line in its local market.

Annual variable pay is granted based on the achievement of predetermined quantitative and qualitative targets, formalized during the annual performance review.

#### **5. Ratios between fixed and variable components**

The ratio between the variable and fixed remuneration components depends on staff category and level of responsibility.

At most companies, the ratio is limited to

- 100% for the Chief Executive Officer or the Chairman of the Management Board (120% for the Chairman of the Management Board of BPCE),
- 62.5% for Deputy Chief Executive Officers or Members of the Management Board,
- Less than 50% for other employees, depending on their level of responsibility.

In some cases, certain employees who are not corporate officers may receive a variable remuneration of more than 50%, but in any event the ratio is capped at 100%.

Only BPCE SA (for the Chairman of the Management Board), BRED and Natixis (for their market operators in particular) allow the ratio to exceed 100%, going as high as 200%, in accordance with the decision taken by their General Shareholders' Meeting in accordance with Article L511-78 of the French Monetary and Financial Code.

## **6. Features of the remuneration policy**

The policy governing the variable remuneration of the persons defined in Article L.511-71 of the French Monetary and Financial Code is described below.

### **6.1 Scope: 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) to employees identified as risk-takers, is as follows:

#### Principle of proportionality

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

In the event that the amount of variable remuneration awarded is equal to or exceeds the threshold, the rules for paying variable remuneration apply to the total amount of variable remuneration.

#### Deferred and conditional payment of a fraction of variable pay where the amount of variable pay granted is equal to or exceeds the threshold

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

In the event of an employee's death, the unvested portion of deferred remuneration vests immediately, with the application of penalties where applicable (see below).

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

#### Amount of deferred variable pay

The percentage of deferred variable remuneration is 50% if the variable portion is €100,000 or more, 60% if €500,000 or more, and 70% if €1,000,000 or more.

#### Payment in shares or equivalent instruments

Under the Group standard, as Group companies are not listed (except for Natixis), the deferred component of variable remuneration is paid in cash, 50% indexed to an indicator representing the change in the value of Groupe BPCE and 50% indexed to an indicator representing the change in the value of the institution awarding the variable remuneration, it being specified that for BPCE SA and its subsidiaries, the indicator is 100% based on the change in the value of Groupe BPCE.

The indicator used for the value of Groupe BPCE is 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, and the indicator used for the value of the institution is net income attributable to equity holders of the parent of the institution, calculated as a rolling average over the last three calendar years preceding the year in which the variable remuneration is granted 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 1 of Years N+2, N+3 and N+4.

## Application of penalties

In accordance with Article L. 511-83 of the French Monetary and Financial Code, each decision-making body determines the situations liable to call for the reduction or elimination of deferred portions of variable remuneration. For example, the BPCE SA Supervisory Board resolved, based on the motion of its 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.

### **6.2 Scope: Natixis**

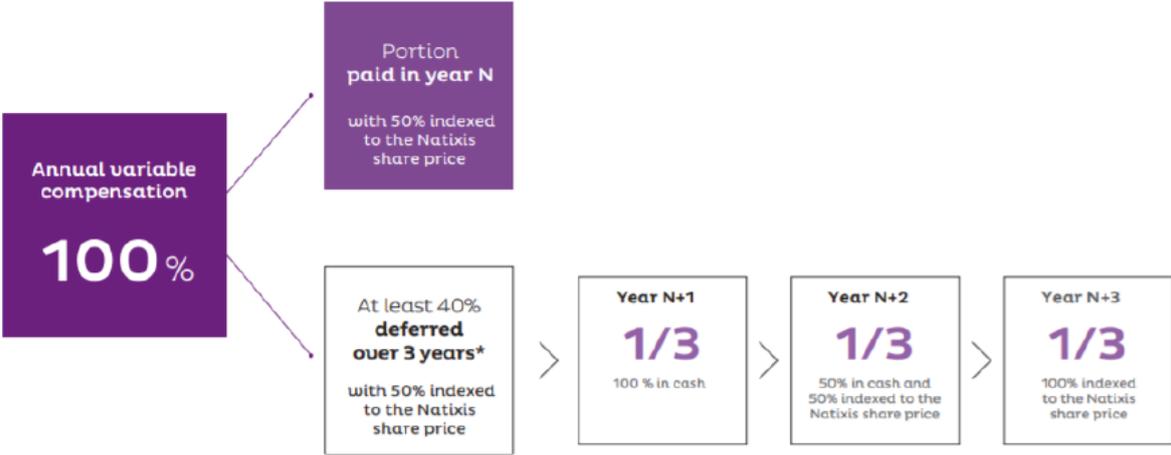
Above a certain amount (€100,000 for the euro zone), payment of a fraction of variable remuneration is subject to conditions and deferred over time. This payment is divided evenly over at least the three fiscal years following the year in which the variable remuneration is awarded.

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

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

The structure of variable remuneration granted to members of the regulated population in respect of fiscal year 2020, and the timeline of payments, are summarized in the charts below.

**Annual variable remuneration structure for regulated categories of staff**



\* CRD rules governing the portion of annual variable compensation that must be deferred. Deferred bonuses are subject to a continued service requirement and performance criteria

**Annual variable remuneration for regulated categories of staff in respect of 2020 – Payment years**



The vesting of deferred components of variable remuneration 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 remuneration is awarded.

The components of deferred variable remuneration 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, as well as 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, particularly in terms of adhering to the risk and compliance rules, is taken into account when awarding annual variable remuneration.

## 7. Aggregate quantitative disclosures

### Table 1

Aggregate quantitative disclosures on remuneration, broken down by activity

Amounts awarded in respect of 2020 – excluding employer contributions – in € thousands	Governing body - executive function	Governing body - supervisory function *	Investment Banking	Retail banking	Asset management	Support Functions	Independent Audit Function	Others	Total
Employees	133	38	313	407	14	502	368	91	1 866
Fixed compensation	€36 679	€2 078	€83 463	€38 991	€1 018	€53 494	€38 829	€8 682	€263 233
Variable compensation	€19 227	€0	€31 561	€9 388	€177	€12 294	€9 386	€3 387	€85 419
<b>Total compensation</b>	<b>€55 905</b>	<b>€2 078</b>	<b>€115 024</b>	<b>€48 379</b>	<b>€1 195</b>	<b>€65 788</b>	<b>€48 215</b>	<b>€12 069</b>	<b>€348 652</b>

\* limited to BPCE SA, BPCE SFH, Natixis, CFF, Compagnie de Financement Foncier and Banque Palatine

### 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	171	1 695	1 866
<b>Total compensation</b>	<b>€57 983</b>	<b>€290 669</b>	<b>€348 652</b>
<i>o/w fixed compensation</i>	€38 756	€224 477	€263 233
<i>o/w variable compensation</i>	€19 227	€66 192	€85 419
<i>o/w non-deferred compensation</i>	€11 400	€51 261	€62 661
<i>o/w cash</i>	€10 395	€43 840	€54 235
<i>o/w shares and related instruments</i>	€1 005	€7 421	€8 426
<i>o/w other instruments</i>	€0	€0	€0
<i>o/w deferred compensation</i>	€7 827	€14 931	€22 758
<i>o/w cash</i>	€1 019	€5 580	€6 599
<i>o/w shares and related instruments</i>	€6 808	€9 351	€16 159
<i>o/w other instruments</i>	€0	€0	€0

\* limited to BPCE SA, BPCE SFH, Natixis, CFF, Compagnie de Financement Foncier and Banque Palatine

### Table 3

Other remuneration components of risk-takers

Amounts in € thousands – excluding employer contributions	Total
Amounts of deferred variable remuneration awarded in respect of fiscal years prior to 2020 <b>not vested</b>	€86 829
Amounts of deferred variable remuneration awarded in respect of fiscal years prior to 2020 and <b>paid in 2020 (amount awarded)</b>	€94 844
Amounts of deferred variable remuneration awarded in respect of fiscal years prior to 2020 and <b>paid in 2020 (amount paid)</b>	€86 279
Amounts of reductions to deferred compensation in 2020 as a result of the year's performance	€0
Amounts of severance payments awarded in 2020	€13 018
Number of recipients of severance pay	40
Highest amounts of severance payments awarded	-
Amounts paid to new hires in 2020	€1 947
Number of beneficiaries of new hire payments granted	21

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

Disclosed in accordance with Article 450(i) of Regulation (EU) No. 575/2013.

<b>Total remuneration</b>	<b>Number of employees</b>
From €1 million to €1.5 million	9
From €1.5 million to €2 million	3
From €2 million to €2.5 million	1
More than €2.5 million	-