

# **REMUNERATION POLICY 2021 SOCIETE GENERALE LUXEMBOURG**

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## **PREAMBLE**

SG Luxembourg strictly and fully applies the remuneration policy of SG Group. This aims to guarantee the long-term attraction, commitment, and loyalty of employees, while ensuring appropriate risk management and compliance. This remuneration policy is in line with the company's economic strategy, objectives, values, and long-term interests.

The remuneration policy has been established in compliance with the applicable regulations, especially the Directive 2019/878 of the European Parliament and of the Council of 20 May 2019 ("CRD V") and its transposition in Luxembourg law on 20 May 2021.

The document below details the framework set for the remuneration of employees at SG Luxembourg and its subsidiaries\*.

\* A remuneration policy must be established at the level of each subsidiary, especially in case of an adaptation of the group's policy, or due to local regulatory requirements.

## **1. GOVERNANCE OF REMUNERATION POLICY**

### **1.1 The different committees**

The governance applied by SG Luxembourg complies with SG Group' organization.

SG Luxembourg has set up a Remuneration Committee since 2015.

The committee shall be composed of three administrators and two permanent guests. That allows the committee to exercise competent and independent judgment on compensation policies and practices, and on the incentives created for risks management, and capital and liquidity management.

This governance is based on:

- An annual review of remuneration involving the control functions and proceeding by successive stages of validation up to the Authorized Management of SG Luxembourg and the General Management of the SG Group.
- A final validation of this policy by the Board of Directors of SG Luxembourg after a review made by the Remuneration Committee of SG Luxembourg, both on the principles and budgets for all activities/departments and on individual allocations for the highest earners and risk takers ("regulated staff").

### **1.2 The role of control functions**

The control functions (Risk, Internal Control and Compliance Departments of the Group and of SG Luxembourg) are involved in the annual compensation review process:

- The Risk Direction and the Compliance Direction are involved in the regulated staff identification, in coordination with the Human Resources Direction
- The Finance Direction validates the methodology used for setting variable remuneration pools, ensuring that the various types of risks have been taken into consideration, and checking that the total amount of variable remuneration does not impact SG Luxembourg's ability to strengthen its own funds
- The Finance Direction takes part in the draft of deferred remuneration schemes (structure, performance conditions and malus clauses)
- The Risk Direction and the Compliance Direction assess risk and compliance management and give their opinion on how regulated staff take these aspects into account. These assessments can lead to a possible adjustment of variable remuneration pools and individual awards.

The independence of these control functions is guaranteed by hierarchical reporting to the Authorized Management; their own remuneration is independent of the results of the activities they control. This governance ensures that decisions about remuneration are made independently and objectively.

## **2. PRINCIPLES ON REMUNERATION POLICY**

The remuneration policy applies to all the staff and complies with applicable regulations.

SG Luxembourg's remuneration policy is in line with the Societe Generale Group's compensation policy and must comply with all applicable regulations and related texts (especially, the transposition into Luxembourg national law, and the guidelines of the competent authorities such as the EBA - European Banking Authority), including:

### **MIFID II:**

- Directive 2014/65/UE of the European Parliament and of the Council of 15 May 2014.
- Delegated regulation (UE) 2017/565 of the Commission of 25 April 2016.

**IDD (DDA):** Directive 2016/97/UE of the European Parliament and of the Council of 20 January 2016. European regulation (UE) 2019/2088 « Sustainable Finance Disclosure » (SFDR) of 10 March 2021. EBA guidelines on loan origination and monitoring (EBA/GL/2020/06) published on 29 May 2020. Volcker rule: regulation introduced by Section 13 of the Bank Holding Company Act.

### **CRD V:**

- Directive 2019/878 du Parlement Européen et du Conseil du 20 mai 2019 modifiant la directive 2013/36/UE et transposée par l'Ordonnance n° 2020-1635 du 21 décembre 2020 portant diverses dispositions d'adaptation du Code Monétaire et Financier et l'Arrêté du 22 décembre 2020 modifiant l'arrêté du 3 novembre 2014 relatif au contrôle interne des entreprises du secteur de la banque, des services de paiement et des services d'investissement soumises au contrôle de l'Autorité de contrôle prudentiel et de résolution
- European regulation (UE) 575/2013 (CRR)
- Delegated regulation (UE) 2021/923 of the Commission of 25 March 2021
- EBA guidelines (EBA/GL/2021/04 –13-22) on sound remuneration policies
- Luxembourg law of 20 May 2021: Transposition in national law of the Directive 2019/878 (CRD V).

### **AIFMD & UCITS V:**

- Alternative Investment Fund Managers Directive 2011/61/EU of the European parliament and of the Council of 8 June 2011
- Directive 2014/91/EU on Undertakings for Collective Investment in Transferable Securities of the European parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC

The remuneration policy includes the different constraints from the regulations mentioned above:

- Ex ante, compensation decisions must consider performance evaluation based on quantitative and qualitative criteria.
- Ex post, consideration of risks in variable compensation schemes:

For the regulated staff CRD V:

- Variable remuneration payment partially deferred over a period of at least four years and partially in the form of financial instruments.
- A cap on variable remuneration compared to fixed remuneration.
- The differed scheme and the part in instruments apply to regulated staff under CRD V whose annual variable remuneration exceeds €50,000 or represents more than a third of the total annual compensation (if the annual variable compensation is less than €50,000).

For other staff: above a certain threshold, variable remuneration partially deferred based on a progressive rate over three years pro rata temporis and in the form of financial instruments; part not vested subject to the same vesting conditions as for CRD V regulated staff.

The remuneration policy also includes:

- The principles of a gender-neutral policy. The application is for all employees, including those regulated.
- The EBA guidelines (EBA/GL/2021/04) which specify that the institution's remuneration policy for all staff should be consistent with its risk management business strategy objectives (including environmental, social and governance risks, corporate culture and values, risk culture, related to the long-term interests of the institution, and should not encourage excessive risk-taking. Remuneration practices must be aligned with the overall risk appetite, integrating all risks including reputational risks and risks arising from non-compliant product sales.

In accordance with the constraints imposed by the CRD V Directive, SG Luxembourg:

- Conducts each year the regulated staff identification related to the Article 92(3) of the Directive 2013/36/EU and the RTS ("Regulatory Technical Standards") of the Commission delegated regulation 2021/923
- Submits to a vote by its General Assembly the application of a maximum variable/fixed ratio of the regulated population at 2:1. This ratio has been applicable at Societe Generale Group level since its vote at the General Assembly in 2014. In 2021, it was decided not to submit to the General Assembly of SG Luxembourg the vote to increase the maximum variable/fixed ratio at 2:1 for the regulated population of Luxembourg.

### **3. REMUNERATION STRUCTURE**

The remuneration of SG Luxembourg employees shall be composed of:

- A fixed part related to the position held by the employee
- If appropriate, on a discretionary basis related to individual and collective performances which consider the achievement of the objectives (quantitative) and the behavior adopted for the achievement of these objectives (qualitative)
- If applicable, performance shares.

### **3.1 Fixed remuneration**

The fixed remuneration rewards the qualification, level, and scope of responsibility of the position, expertise, and professional experience in line with market practices. It includes items such as base salary and any role-based fixed allowance (predetermined, transparent, maintained for the period related to the specific role or responsibilities, non-revocable and without risk-taking incentive).

At the individual level, the salary review considers the context of the local market, the technical and behavioral skills necessary for the position, the level and scope of the employee's responsibilities in the position, promotions or changes in responsibility, and the principle of fairness. These elements are reviewed during the annual review of the situations (ACR). A review due to legal requirements is possible apart from the annual compensation review.

SG Luxembourg ensures an appropriate balance between the fixed and variable components so that the fixed component represents a sufficiently high proportion of the total remuneration.

### **3.2 Variable remuneration**

The allocation of individual variable compensation is discretionary. It is based on individual and collective performance, financial results obtained by considering the cost of liquidity and all the risks and capital requirements in connection with the risk appetite objectives and takes into account quantitative and qualitative elements. It considers the quality of risk management, as well as compliance with regulations and internal compliance procedures. To prevent any conflict of interest, variable remuneration is not directly and only linked to generated income. It also considers the economic, social, and competitive environment.

The variable remuneration can only be guaranteed in the context of external hiring. Guaranteed variable compensation can only be granted in the year of employment and only for the current performance year. It is subject to the rules of the SG Fidelity Plan with a claw-back clause (i.e., clause allowing the refund of the guaranteed bonus paid in case of departure from the company).

### **3.3 Long Term Incentives**

They represent a tool of retention used for retaining the top performers and key talents.

### **3.4 Variable remuneration structure**

For specific staff categories, the variable remuneration is subject to a deferred scheme. In accordance with the Société Générale Group's remuneration policy and related to the application of the principle of proportionality, the variable remuneration is deferred over time and paid partially in the form of financial instruments (shares-equivalents). The deferred schedule varies according to the status of the employee (regulated / non-regulated staff):

- Regulated staff under CRD V are subject to the following constraints if the amount of the variable remuneration is above €50,000 or one third of the total compensation (if the annual variable compensation awarded is less than or equal to €50,000): deferred variable

remuneration up to a minimum of 40% (or even 60% minimum for the highest salaries) over 4 to 5 years pro rata temporis; payment of at least 50% of the total variable remuneration in the form of financial instruments; part not vested subject to conditions of attendance, financial performance, and appropriate risk and compliance management (malus and clawback)

- Regulated staff under AIFMD et UCITS V are subject to the following constraints: deferred variable remuneration up to a minimum of 40% (or even 60% minimum for the highest salaries) over 3 years pro rata temporis from a certain variable threshold (adapted according to local regulations and practices) ; payment of at least 50% of the total variable in the form of financial instruments; part not vested subject to conditions of presence, financial performance, and appropriate risk and compliance management
- For non-regulated staff whose variable remuneration exceeds the threshold of €105,000, the deferred scheme is progressive according to the amount of the variable remuneration:
  - 0 % of differed variable remuneration: [0 – 100] KEUR
  - 60 % of differed variable remuneration: ]100 – 500] KEUR
  - 80 % of differed variable remuneration: > 500 KEUR

Two thirds of the deferred part are paid in the form of financial instruments; unvested parts are subject to the same vesting conditions as for CRD V regulated staff.

In accordance with the rules of the Societe Generale Group Fidelity plan, the non-vested and differed parts are subject to:

- Performance conditions.
- Condition of presence.
- Individual condition related to malus principle.

The forfeiture condition applies at any time during the vesting period and the retention period. Any excessive risk-taking or behavior considered as unacceptable by the Authorized Management may imply a reduction or non-payment of such deferred remuneration.

After the vesting of the share equivalents, the beneficiaries remain subject to a one-year vesting period for CRD V regulated staff during which the value of the share equivalents is indexed to the Societe Generale share price.

In view of each of these conditions, the final amount of the deferred variable payment may be reduced or lost in full.

Finally, all employees who receive deferred variable remuneration are prohibited from using hedging or insurance strategies, both during the vesting period and during the retention period.

#### **4. TOTAL REWARD STATEMENT**

Since 2016, SG Luxembourg has provided to its employees with a total reward statement every year for all employee under permanent contracts. It summarizes the components of compensation and all the benefits the employee receives for a year.

#### **5. REGULATED STAFF IDENTIFICATION**

Regulated staff identification is driven by the Human Resources Direction, i.e., employees having a major impact on the risk profile of SG Luxembourg in collaboration with the Authorized Management. The identification is submitted to the SG Luxembourg Remuneration Committee for approval.

Employees having a significant impact on SG Luxembourg's risk profile are identified in accordance with the criteria established by the EBA (European Banking Authority) related to the article 92(3) of the Directive 2013/36/EU and to the RTS («Regulatory Technical Standards ») from the delegated regulation 2021/923 of the Commission.

Regulated staff whose professional activities have an impact on the risk profile of the institution include, but not limited to:

- Members of the Board of Directors, Authorized Management and Executive Committee.
- Staff members with managerial responsibilities on control functions or material business units.
- Head of specific functions identified by the article 5(a) by the EBA.
- Staff members who have credit authorizations and/or are responsible for market risk. limits exceeding the materiality thresholds as defined by the EBA at SG Luxembourg level.
- Staff members whose total remuneration for the previous year exceeds a certain threshold.

Human Resources Department of SG Luxembourg hold a nominative list that is updated every year.