

Annual Report on compensation policy and practices for persons defined in Article L. 511-71 of the French Monetary and Financial Code and, where appropriate, pursuant to Commission Delegated Regulation (EU) 604/2014 of 4 March 2014

Year 2020

This report is drawn up in accordance with Article 450 of regulation (UE) no. 575/2013 of 26 June 2013.

1 GENERAL PRINCIPLE UNDERLYING THE COMPENSATION POLICY

Crédit Agricole CIB has established a responsible compensation policy that aims to reflect its values while respecting the interests of all the stakeholders, including employees, clients and shareholders.

In the light of the specific characteristics of its business lines, its legal entities, and national and international legislation, Crédit Agricole CIB has developed a compensation system that provides its employees with a competitive reward relative to its market benchmark in order to attract and retain the talent it needs. Benchmarking with other financial groups are regularly carried out for this purpose.

Compensation award, particularly variable award, aims to reward individual and group performance over time while promoting sound and effective risk management.

This Compensation Policy aims to reward employees fairly and appropriately for their contribution towards the success of the business and the level of service and performance delivered to Crédit Agricole CIB's clients. With this in mind, the compensation policy has been designed to avoid conflicts of interest in accordance with the requirements of MiFID II and, in particular, to ensure that employees do not favour their own or Crédit Agricole CIB's interests instead of client's best interests.

The Crédit Agricole CIB's compensation policy promotes sound and effective risk management in compliance with the bank's risk appetite statement and framework.

The Crédit Agricole CIB's compensation policy is also part of a highly regulated environment that is specific to the banking sector. As a general rule, Crédit Agricole CIB ensures the compliance of its compensation policy with the current legal and regulatory environment at national, European and international levels. It also incorporates the provisions of the following regulations:

- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, transposed into the Monetary and Financial Code by Ordinance no. 2014-158 of 20 February 2014 (hereinafter "CRD IV");
- The European Commission Delegated Regulation no. 604/2014 and the Decree of 3 November 2014 concerning internal control;
- Law no. 2013-672 of 26 July 2013 on separation and regulation of banking activities (hereinafter the "French Banking Law");
- The rule enacted by Section 13 of the Bank Holding Company Act, implementing Section 619 of the Dodd–Frank Wall Street Reform and Consumer Protection Act (hereinafter the "Volcker Rule");
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and Regulation 600-2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, transposed into the Monetary and Financial Code by Ordinance no. 2016-827 of 23 June 2016 and Regulation 2017/565 of 25 April 2016 of the European Commission (hereinafter "MiFID II").

The Crédit Agricole CIB's compensation policy may be adapted locally to comply with local regulations if the latter impose stricter constraints than those of the policy of Crédit Agricole CIB. In this case, the adjustments will need to be discussed between the Head of the subsidiary, control functions, the Head of HR of the subsidiary and the HR team of Crédit Agricole CIB.

This compensation policy was approved by the Crédit Agricole CIB Board of Directors' meeting of December 10th 2020.

2 TOTAL COMPENSATION

The total compensation of Crédit Agricole CIB Group employees includes the following components:

- Fixed compensation;
- Annual individual variable compensation;
- Collective variable compensation;
- Long-term variable compensation;
- Supplementary pension and health insurance plans; and
- Benefits in kind and other fringe benefits.

All or part of this package may be offered to each employee, according to their level of responsibility, skills, performance and location.

2.1.1 Fixed compensation

Fixed compensation rewards employees for the responsibilities entrusted to them, as well as the competencies used to exercise their position, in a manner that is consistent with the specificities of each business line in their local market.

These responsibilities are defined by mission and scope, level within the organization and set of expected skills and experience.

Fixed compensation is set at a sufficient level to allow for variable compensation not to be paid in the event that employees underperform.

Fixed compensation is reviewed in line with an evolution of the employees' responsibilities and their seniority in the role, which is assessed through the annual performance appraisal on the basis of the fulfilment of objectives and contributions of the role.

When an employee takes a new position, the change in responsibilities is taken into account when determining fixed compensation.

Fixed compensation includes base salary, as well as of any other recurrent compensation component that is not performance-based in any way.

2.1.2 Annual individual variable compensation

Variable compensation is directly linked to individual and collective annual performance. Individual performance is assessed on the basis of the achievement of qualitative and quantitative objectives defined at the beginning of each financial year, and includes an assessment of whether the employee acts in a way that does not conflict with the clients' best interests. An overall compliance with the all relevant internal and external rules and procedures is a key factor of performance assessment.

Collective performance is based on the determination of a firmwide envelope which is then broken down by business activity. This envelope is defined in a way which does not limit the capacity of Crédit Agricole CIB to strengthen its capital base as required. It takes into account all risks, including liquidity risk, cost of capital, in accordance with regulatory principles.

Variable compensation includes bonus, as well as of any other individual compensation component linked to performance, including guaranteed variable compensation.

1. Allocation of variable compensation envelopes

Crédit Agricole CIB defines its global envelope of variable compensation taking into account performance criteria, costs and risk criteria defined for the bank, the bank's objectives and the financial situation, including its capital base and liquidity.

The amount of global variable compensation envelope of Crédit Agricole CIB is reviewed and validated by its Board of Directors taking into account all of these elements, and including a synthetic indicator referred to as the Contribution.

The Contribution is determined using the following formula, on the basis of the standard accounting definitions:

Net Banking Income (NBI) – direct and indirect expenses excluding bonuses – cost of risk – cost of capital before taxes

- NBI is calculated net of the cost of liquidity
- The cost of risk is understood to be the provisions for default
- The cost of capital, which allows to take into account the return on equity specific to a business line, is calculated by applying the following formula:

Risk-Weighted Assets (RWA) X Supply rate of capital (Tier 1 ratio target) X β (the coefficient that measures the market risk of business line and allows for an adjustment of the Tier 1 ratio according to the capital requirement linked to the business line).

For the control and support functions, the envelopes of variable compensation are defined taking into account the global results of Crédit Agricole CIB. The envelopes of the control functions are established independently of the results of the activities they supervise.

Definition of the global bonus pool and its allocation by functions of Crédit Agricole CIB depends on the quantitative elements described above, but also qualitative elements:

- Competitors' practices in terms of compensation for comparable functions;
- General conditions of the market under which the performance results were achieved;
- Other elements which may have exceptionally influenced the performance of a function.

2. Individual bonus awards

Individual bonuses are awarded within the envelopes defined by business line. Individual allocation to employees is decided in a discretionary manner by the line management on the basis of an overall assessment of individual and collective performance, taking into account quantitative and qualitative aspects.

Individual bonus awards take into account behaviours considered non-compliant with the rules and procedures, risk limits, as established by the rules and methods defined by Crédit Agricole CIB. Decisions impacting individual bonus award of employees whose behaviour was identified as non-compliant are reviewed annually by the Executive Management.

In order to prevent conflicts of interests and failure to take into account client's interests, there exists no direct or automatic link between the level of employees' commercial and financial results and the level of their variable compensation.

In certain cases, other variable compensation components are awarded in addition to the bonus, as is the case for senior executives.

3. Guaranteed variable compensation

Awarding guaranteed variable compensation is exceptional and is only authorised as part of the recruitment process and for a duration that cannot exceed one year.

Attribution of guaranteed variable compensation is subject to payment conditions applicable to the performance year; notably, guaranteed variable compensation above a threshold is deferred over time and is subject to individual and collective performance conditions.

In the context of external recruitment, Crédit Agricole CIB may also buy out variable compensation granted by the previous employer but forfeited as a result of the candidate's resignation. All the constraints apply to such compensation, including deferral, attribution in the form of financial instruments and performance conditions.

4. Limitation of variable compensation

A variable compensation award in respect of a performance year is limited to the amount of the fixed compensation for all employees. This limit may be raised to 200% of the fixed compensation pursuant to a decision by the Crédit Agricole CIB Shareholders' General Meeting.

This decision to limit the amount of the variable compensation to 200% of the fixed remuneration for the 2020 performance year was approved at the Annual Shareholders' Meeting of May 4th, 2020.

5. Terms of payment of variable compensation

Above a certain threshold, the variable compensation is split into a non-deferred portion and a portion deferred in thirds over a three-year period.

The deferred portion vests over a period of three years as follows: 1/3 in year N+1, 1/3 in year N+2 year and 1/3 in year N+3 relative to the reference year (N), subject to meeting the vesting conditions:

- Performance conditions;
- Presence conditions; and
- Compliance with internal rules and risk limits.

The deferred variable compensation and part of the non-deferred variable compensation are allocated to employees in the form of financial instruments indexed on the share value of Crédit Agricole S.A.

If, within five years of payment of the variable compensation, it is discovered that an employee: (i) is responsible for or contributed to significant losses for Credit Agricole CIB or its clients; or (ii) is responsible for a significant breach of internal or external rules or procedures, Crédit Agricole CIB reserves the right, subject to applicable law, forfeit the rights to all or a part of the unvested deferred compensation, or to claw back all or a part of the variable compensation already paid.

Any hedging or insurance strategy that seeks to limit the scope of the risk alignment provisions contained in the compensation system is prohibited.

Regulated employees are subject to a specific set of rules, as described in section 3.

6. Variable compensation of employees whose activities are subject to a mandate (French Banking Law, Volcker rule, etc.)

Variable compensation is awarded so as not to reward or encourage prohibited trading activities, but may reward generation of revenue or providing services to clients. Any award must comply with internal policies and procedures, including but not limited to the Volcker rule compliance manual.

Individual performance bonuses are based on a number of factors including, along with other indicators, an assessment of achievement of pre-defined individual and collective targets, which are set for employees in strict compliance with the terms of the mandate they manage.

Quarterly controls performed by the Risk and Permanent Control Division and the Global Market Division are used to verify the correct application of the mandates.

During the annual appraisal, managers assess the performance of employees against targets set at the beginning of the year, including compliance with trading mandates. This assessment takes into account conduct considered non-compliant with internal rules and procedures, or breaches of risk limits, notably non-compliance with mandates.

7. Variable compensation program for the control functions

In order to prevent potential conflicts of interests, the compensation of control function employees is established independently of the compensation of the business lines for which they validate or review the operations. The objectives set for control function employees and the variable envelopes used to determine their variable compensation do not take into account criteria related to the results and economic performance of the business area they supervise. The variable envelopes are defined according to market practices and the global performance of Crédit Agricole CIB.

The Compensation Committee of Crédit Agricole CIB, as part of its remit, ensures compliance with the principles for determining the compensation of the Heads of Risks and Compliance functions.

2.1.3 Collective variable compensation

For many years, it has been the policy of Crédit Agricole CIB to involve its employees collectively in the results and performance of the bank. For this purpose, a collective variable compensation system (discretionary and mandatory profit sharing) is established in France. Similar systems that provide all members of staff with a share of the results are set up in some entities outside France.

2.1.4 Long-term variable compensation

This variable compensation component, aiming to federate, motivate, and increase loyalty, complements the annual variable compensation by rewarding long-term and collective performance of the group.

It may include several elements differentiated according to the level of responsibility in the organization:

- 1) Employee shareholding, open to all employees;
- 2) Long-term award of share-linked cash and/or cash subject to performance conditions based on economic, financial and social responsibility criteria defined in line with the long-term strategy of the Crédit Agricole S.A. Group. It is reserved for Group senior and key executives.

2.1.5 Pension and health insurance plans

Depending on country and relevant market practices, Crédit Agricole CIB undertakes to provide its employees with social security coverage that is designed to:

- Assist with setting up retirement income or savings; and
- Provide a reasonable level of social security coverage for the employees and their family.

2.1.6 Other benefits

In certain cases, the total compensation also includes benefits in kind, primarily in the form of the allocation of:

- company cars according to the responsibilities exercised; and
- benefits that are designed to cover the difference in the cost of living for expatriate populations.

Depending on the country, these benefits and perquisites may be complemented by various mechanisms that are designed to provide a stimulating working environment and ensure a healthy work-life balance.

3 COMPENSATION OF REGULATED EMPLOYEES

In line with the Group's general principles, the compensation policy applicable to the identified staff is in line with the strict regulatory requirements, notably those imposed by the Capital Requirements Directive CRD IV regarding the compensation structure.

The category of identified staff includes employees who, due to their function, could have a significant impact on Crédit Agricole CIB risk exposure.

Employees are identified as regulated staff as a result of a joint process between Crédit Agricole CIB and Crédit Agricole S.A., managed by the human resources function and the control functions. This process is reviewed annually.

In addition, entities of Crédit Agricole CIB may be subject to local regulations implementing CRD IV Directive in national law, or of similar nature.

3.1 Scope of application

Within Crédit Agricole CIB, the following functions, in particular, are included within the scope of the identified staff:

- Executive Officers and Senior Management;
- Heads of the main business lines;
- Employees in charge of the control functions;
- Employees who have a significant delegation in terms of credit risk exposure;
- Employees who have authority to take decisions on significant transactions on the trading book;
- Employees with significant total compensation, and
- Any employee that could have a significant impact on Crédit Agricole CIB risk exposure as defined by Risk and Permanent Control, Compliance, or Human Resources divisions, or an Executive Management decision.

Moreover, employees may also be considered risk takers at subsidiary level under local regulations.

3.2 Specificity of the compensation policy for regulated employees

1. Specific constraints applicable to the compensation of regulated employees

Pursuant to regulatory requirements, the main features of the Group's compensation policy for regulated employees are:

- Variable compensation envelopes and their allocation support achieving and maintaining a sound capital base, in the same way as those of all staff;

- In the same way as for all staff, the variable component cannot exceed 100% of the fixed component. The annual Shareholders' Meeting can approve a higher maximum ratio provided that the total variable component does not exceed 200% of each employee's fixed component;
- In the same way as for all staff, part of the variable compensation is deferred over three years and vests in instalments subject to performance conditions. The deferral ratio for the regulated staff is 40% minimum;
- In the same way as for all staff, part of the variable compensation is attributed in the form of financial instruments linked to Crédit Agricole S.A. share. The proportion of variable attributed in the form of instruments for the regulated staff is at least 50%, higher than that of non-regulated staff;
- Vesting of each instalment of the deferral is followed by a six month's retention period. The retention period is also applied to the non-deferred part of variable compensation attributed in the form of financial instruments.

2. Characteristics of deferral rules

Individual variable compensation consists of two parts:

- Short-term, non-deferred variable compensation; and
- Long-term, deferred and conditional variable compensation representing 40 to 60% of the total individual variable compensation.

This system promotes alignment of the employees' interests with medium-term performance of Crédit Agricole CIB, and sound and effective risk management.

In practice, in application of the proportionality principle, employees whose variable compensation is below €120,000 are exempted from the scope of the deferral rules, unless otherwise required by local regulators in the countries of presence of Crédit Agricole CIB.

The deferred part varies depending on the total variable compensation awarded for the results of the performance year: the higher the variable compensation, the higher the deferred part of the total variable compensation.

The vesting rules are identical to the system applicable to all employees: deferral by third over three years following the award and the same vesting conditions (presence, performance and risks).

For consistency and alignment with the long-term global performance of the bank, a deferred variable scheme also applies to employees of Crédit Agricole CIB who are not identified as regulated.

3. Payment in shares or equivalent instruments

For identified staff, payment in shares or equivalent financial instruments represents:

- All of the deferred part of the variable compensation; and
- A portion of the non-deferred part of variable compensation, equal to 10% of total variable.

Accordingly, at least 50% of the variable compensation of identified staff is awarded in shares or equivalent instruments.

Payments are made after a retention period, in accordance with the regulation. The length of the retention period is set at six months.

Any hedging or insurance strategy undermining the risk alignment effects embedded in the remuneration arrangements is prohibited.

4 SENIOR EXECUTIVES COMPENSATION

The compensation policy that is applicable to Crédit Agricole CIB's executive directors is part of the compensation policy for Crédit Agricole S.A. senior executives.

The compensation policy for the members of Crédit Agricole CIB's Executive Management is approved by the Board of Directors on the basis of a proposal by the Compensation Committee. This policy is reviewed annually by the Board of Directors in order to take into account changes in the competitive environment and context.

It is consistent with the compensation policy for all the Crédit Agricole S.A. Group's senior executives. This principle makes it possible to bring the Group's major stakeholders together around common, shared criteria.

In addition, the compensation of members of Crédit Agricole CIB's Executive Management complies with:

- The regulatory framework defined by the Monetary and Financial Code and the order of 3 November 2014 on internal controls in credit institutions and investment firms, which transposes into French law the European provisions on the compensation of identified staff who are executive directors;
- The recommendations and principles of the Corporate Governance Code for listed companies, as revised in November 2015 (the "AFEP/MEDEF Code").
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Pursuant to a proposal by the Compensation Committee, each year the Board of Directors reviews the compensation components for members of the Executive Management, with the principal objective of recognizing long-term performance.

5 COMPENSATION POLICY GOVERNANCE

Crédit Agricole CIB compensation policy is reviewed annually by the Executive Management, following a proposal by the Human Resources Division and in accordance with the main guidelines of the Crédit Agricole S.A. Group compensation policy. This policy receives a contribution from the Control Functions. The compensation policy is approved by the Board of Directors, on the basis of a recommendation by the Compensation Committee.

5.1 Compensation Committee

The Compensation Committee meetings are convened when necessary, or at the demand of the President of the Board.

The Committee has a total of four members, including a Director representing employees. The Compensation Committee is principally responsible for issuing recommendations to the Board of Directors for approval.

Its recommendations concern:

- The amount of directors' fees awarded to the members of the Board of Directors, to be submitted to the General Meeting of Shareholders and the allocation of these directors' fees among the members of the Board, and
- Ordinary and exceptional compensation, as provided for in the by-laws, paid to members of the Board and to its President.

It reviews at least once a year:

- The principles of the Company's compensation policy;

- Compensation, indemnities, benefits in kind and financial entitlements granted to the CEO, the Deputy CEO and the Deputy Managing Directors. It is responsible for the compensation components of the Executive officers mentioned in the management report, in accordance with Article L.225-102-1 of the Commercial Code;
- Principles governing the variable compensation of the Company's employees (composition, base, limit, payment conditions, form and payment date), as well the total budget for this compensation; the Compensation Committee is informed of the implementation of this budget at individual level above a threshold proposed by the Executive Management.

As part of its duties, the Compensation Committee must also:

- Directly control the compensation of the person in charge of the risk management function and the Head of Compliance;
- Review the Company's compensation policy, particularly compensation that could have an impact on the Company's risk exposure or result in conflicts of interests between the interests of the employees and Crédit Agricole CIB and the interests of the clients of Crédit Agricole CIB;
- Report to the Board of Directors on its annual review of the compensation policy and principles, as well as the verification of compliance with applicable regulations.

5.2 Role of Control function

In compliance with the principles of Group policy, the Human Resources Division involves the control functions in the process of taking into account risks in compensation management, in particular concerning the definition of identified staff, compliance with the regulatory requirements, and conduct risk control. In addition, in the same way as for all the support functions, variable compensation budgets of the control functions are determined on the basis of specific objectives, independently of the results of the activities they control.

The implementation of the compensation policy is submitted annually to the control of the Group's General Inspection.

5.3 Risk and compensation alignment

Compensation is aligned with risks through the following measures:

- The budgets for variable compensation take into account all risks, including liquidity risk, as well as cost of capital, in compliance with regulatory principles, and are defined in such a way that they do not limit Crédit Agricole CIB's capacity to increase its capital as required;
- Performance is assessed on the basis of quantitative and qualitative criteria, taking into account compliance with mandates and respecting the client's interests, as well as on the basis of compliance with risk limits and internal rules.
- All Crédit Agricole CIB employees are subject to conduct risk control that is carried out each year by the Risk and Permanent Control and Compliance Divisions. The results of these controls are shared with the management before the start of annual appraisal and compensation review campaigns. Depending on the result of the controls, employees may be subject to various penalties, including adjustments to their variable compensation award and/or clawbacks applied to their non-vested variable compensation;
- Above a certain threshold, variable compensation necessarily includes a portion that is deferred at a progressive rate, vesting pro-rata over three years, and paid in the form of financial instruments, subject to performance conditions and adhering to internal rules, notably including those related to risk-taking and compliance.

Although all these measures apply to all Crédit Agricole CIB employees, a list of employees who can have a significant impact on the risk exposure of the Group or the entity concerned is identified each year in accordance with the applicable regulatory provisions. These employees are subject to reinforced measures of alignment between compensation and risks.

6 CONSOLIDATED QUANTITATIVE DATA ON COMPENSATION OF EXECUTIVES AND IDENTIFIED STAFF, PAID BY CREDIT AGRICOLE CIB

6.1 Compensation awarded for the performance year 2020

For 2020, 374 employees are identified as Regulated staff, as defined in the European Commission Delegated Regulation no. 604/2014 and the Decree of 3 November 2014 concerning internal control. The total variable compensation awarded to these employees is 98.9 million euros.

6.2 Amount of compensation awarded for the performance year 2020

The compensation awarded for the results of the performance year 2020 to the identified staff of CACIB is as follows (in MEUR):

	Senior Executives & Investment banking	Support functions	Control functions	TOTAL
Number of Identified staff	335	27	12	374
Total compensation	187.8	11.5	5.6	204.9
Fixed compensation	96.4	6.3	3.3	106.0
Variable compensation	91.3	5.2	2.3	98.9
including Non-deferred variable compensation	52.7	3.4	1.5	57.6
cluding Deferred conditional variable compensation	38.6	1.9	0.8	41.3
including attribution in Cash	43.8	2.9	1.3	48.0
including attribution in shares or equivalent financial instruments	47.5	2.3	1.0	50.9

6.3 Outstanding variable compensation

Outstanding amount of unvested deferred compensation (in MEUR):

	TOTAL
Amount of unvested deferred compensation outstanding for 2020	41.3
Amount of unvested deferred compensation outstanding for prior periods	72.5

6.4 Deferred variable compensation paid or reduced based on the results of 2020

The amount of outstanding deferred compensation paid or reduced, after adjustments due to the company results* (in MEUR):

	Au titre de 2016	Au titre de 2017	Au titre de 2018
Amount of paid deferred compensation (attribution value)	9.9	10.7	10.9
Amount of paid deferred compensation (payment value)	7.1	6.6	9.7
Amount of explicit adjustment in 2020 of the deferred compensation, due to the results of the performance year	0	0	0

*The amounts of deferred compensation paid to beneficiaries with respect to 2016, 2017 and 2018 take into account the evolution of the share price of Crédit Agricole S.A. between the award and the acquisition.

6.5 Amounts paid in the context of hiring or severance during 2020

Attribution of guaranteed bonuses or severance payments done during 2020 (in MEUR) and number of beneficiaries:

	Amount paid	Number of beneficiaries
Amount of severance paid and number of beneficiaries	0.6*	4
Amount of guaranteed bonuses attributed in the context of external hire and number of beneficiaries	1.6	6

*The highest individual severance amount paid in 2020 is 0,23 MEUR.

6.6 Guaranteed severance payments

Guaranteed severance payment granted during the period, number of beneficiaries and the highest such amount granted to a single beneficiary.

	2020
Amount of severance payment guaranteed	0
Number of beneficiaries	0
Highest guarantee	0

6.7 Information concerning the Executive body and Identified Staff with total compensation above €1 million

Total compensation	France	Europe (excluding France)	Rest of the world
From €1,000,000 to €1,500,000	4	1	5
From €1,500,000 to €2,000,000		2	1
From €2,000,000 to €2,500,000			
Over €2,500,000			