

Elements relating to the remuneration policy of Groupama AM

1 - Qualitative elements of the remuneration policy of Groupama Asset Management

1.1. Context:

Groupama Asset Management obtained its accreditation as an Alternative Investment Fund Manager (AIFM) from the French Financial Markets Authority (AMF) on 10 June 2014, after updating its remuneration policy to comply with the requirements of the European AIFM Directive.

As of 31 December 2016, Groupama Asset Management had a total of 96.8 billion euros of assets under management, including 19% in alternative investment funds (AIFs), 22% in UCITS regulated funds and 59% in asset management mandates. With effect from fiscal year 2015, to simplify practical implementation and to avoid creating differences in treatment between individual fund managers, Groupama Asset Management has opted to apply the provisions of the AIFM Directive concerning remuneration to its entire staff, without distinction regarding the type of fund or management concerned. One reason for this choice is that most of our managers handle both alternative investment funds and UCITS. Another factor was the desire to anticipate the effects of the UCITS V Directive.

Groupama Asset Management has formalized its list of Identified Staff, i.e. the employees considered to be “risk takers” pursuant to the guidelines of the French regulator (AMF). This list includes in particular:

- The members of the Management Committee
- The Compliance and Internal Control officers
- The heads of the individual Management sections
- The managers and assistant managers
- The Chief Economist
- The head of Financial Engineering
- The officer responsible for the negotiating table and the negotiators
- The Commercial Director and the sales teams
- The officers responsible for certain support services
 - Operations:
 - Middle Office
 - Legal:
 - Marketing
 - Information Technology

For many years, the remuneration structure of Groupama Asset Management has been identical for every employee. This structure comprises three levels:

- Fixed salary
- Individual variable remuneration
- Collective variable remuneration (profit-sharing and participation)

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Every year, Groupama Asset Management compares every aspect of the remuneration of its employees with the market, to ensure the competitiveness and good balance of its remuneration structure. In particular, the company verifies that the fixed component of remuneration represents a sufficiently high proportion of the overall remuneration.

1.2. Composition of remuneration

1.2.1. Fixed salary

The fixed component of the employee's total remuneration is defined at the time of hiring the employee. This fixed salary takes into account the position and the scope of responsibility of the employee and the remuneration levels practised on the market for an equivalent position ("benchmark"). The fixed component is reviewed annually and on the occasion of any general salary review, when it can be increased.

1.2.2. Individual variable remuneration:

Individual variable remuneration depends on the specific profession and the level of responsibility. It is subject to genuine flexibility and results from an evaluation that is formalized annually for each employee in a performance review meeting. This evaluation aims to measure:

- First, the attainment of quantitative and, where applicable, managerial targets defined at the start of each year;
- Second, the day-to-day exercise of the respective position by the employee.

The combination of these two metrics determines the overall performance level of the employee for the year, and a variable component is allocated as a result of this performance level.

1.2.2.1. Evaluation of performance

The targets of all employees are defined by their manager, as a function of the corporate strategy and strategic assignments decided by Senior Management and the department concerned. Each target is weighted according to its importance relative to the other targets. In compliance with the requirements of the AIFM and UCITS V Directives, these targets are governed by certain principles:

- Each manager must have a managerial target
- An employee cannot have 100% quantitative targets
 - In the case of sales staff and managers, the quantitative targets represent 60 to 70% of total targets (except in special cases, such as certain junior positions that have a lower quantitative proportion)
 - The performance targets of the managers also include a multi-year aspect (performance over 1 year and 3 years)
 - The targets of the sales staff take into consideration the ability of the employees to establish, maintain and expand customer loyalty
- The qualitative targets fulfil the following aims:
 - Limit the emphasis on strictly financial performance
 - Include notions such as risk taking, alignment of customer and company interests, process compliance, teamwork etc.



- The targets of employees in positions responsible for risk control, internal control and compliance are defined independently of the targets of the business units whose operations they validate or control

The overall performance targets of the employees are evaluated on a scale validated by the Groupama Group's Human Resources department, which oversees the entire process and manages the performance evaluation tools of each company of the Group.

1.2.2.2. Calculation and attribution of variable remuneration

The variable remuneration attributed in year N+1 for year N is validated upstream by the Group. The overall sum of variable remuneration is proposed by the Senior Management of Groupama Asset Management to the Senior Management of the Group, as a function of the forecast results of the company, and in particular its inflow and management performance. In compliance with the AIFM and UCITS V Directives, variable remuneration is aligned to the risk of the company. In other words, variable remuneration can be reduced in the event of negative performance affecting the creditworthiness of Groupama AM.

The Human Resources department checks the consistency and equitable criteria of the variable remuneration proposed by the individual managers for their employees. In particular, the HR department ensures that each proposed variable remuneration is consistent with the performance evaluations. If necessary, the HR department can submit modifications for validation by the Manager concerned.

As a rule, Groupama Asset Management does not provide any guaranteed variable remuneration (bonus). Exceptionally, a guaranteed bonus may be guaranteed when hiring certain staff. In this case, the guarantee is strictly limited to one year, and the variable remuneration is generally paid at the end of the trial period.

1.2.2.3. Payment of variable remuneration

The individual variable remuneration for a year N is generally paid in March of year N+1.

However, in compliance with the AIFM and UCITS V Directives, when the variable remuneration attributed in a given year to an employee on the list of Identified Staff exceeds a sum validated by the Remuneration Committee of Groupama Asset Management, this remuneration is divided into two parts:

- the first part is announced and received by the relevant employee immediately after the performance review period. This part represents 60% of the total variable component of the employee's salary; it is paid in full in cash, generally in March of year N+1;
- the second part is announced, but its payment is deferred. This part represents 40% of the total variable component of the employee's salary. It is paid in three equal parts in the years N+2, N+3 and N+4, provided that no malus is deductible. The benchmark indexing of variable remuneration is based on a set of funds representative of the type of management that is conferred to a given employee, or of the entire management of Groupama Asset Management in the case of employees occupying positions that cannot be directly attached to the management of one or more investment funds.

In compliance with the AIFM and UCITS V directives, Groupama Asset Management has established a "malus" mechanism. Consequently, in the event of negative performance that can negatively impact the creditworthiness of Groupama Asset Management, the attribution and payment of the deferred part of the variable remuneration can be reduced as a function of this negative performance. If a decision of this nature is taken, it will uniformly affect all the employees included on the list of Identified Staff who are eligible for deferred variable remuneration for the year in question. This decision would have to be taken by Senior Management and validated by the Remuneration Committee.

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1.2.3. Collective variable remuneration:

Each employee on an open-term employment contract or limited-term contract with at least three months presence during the fiscal year in question is entitled to receive a collective variable remuneration comprising profit-sharing and participation. The overall total of the collective variable remuneration of Groupama AM is divided between the entitled employees as a function of their gross real remuneration received during the reference year. Groupama Asset Management contributes the sums placed in the Employee Investment Plan (PEE) or in the collective pension fund (PERCO), up to the limit of the maximum sums defined in the agreements relating to these savings plans.

1.3. Remuneration governance

Groupama Asset Management established a Remuneration Committee in 2011. In compliance with the AIFM and UCITS V Directives, the composition of this Committee has been changed; it now consists of 4 members, of whom two are independent, including the chairperson, who has the deciding vote.

As from 10 February 2017, this Committee consists of the following persons:

Christian Ferry, Chairman
Muriel Faure
Benoît Maes
Pierrette Lévêque

The Committee has the following aims:

- Supervise the implementation and development of the Remuneration Policy
- Provide recommendations concerning the fixed and variable remuneration of the members of the Management Committee and concerning the variable remuneration exceeding 100% of the fixed salary of the persons concerned
- Supervise the remuneration of the senior managers in charge of risk management and compliance
- Provide recommendations concerning the remuneration of the top executives and mandated agents of Groupama Asset Management
- Evaluate the mechanisms adopted to guarantee that:
 - ✓ the remuneration system takes into consideration all categories of risks, liquidities and the levels of assets under management;
 - ✓ the Policy is compatible with the economic strategy, targets, values and interests of the Asset Management Company;
- Evaluate a range of scenarios to test the reaction of the remuneration system to future external and internal events, and conduct *a posteriori* verifications

1.4. Identity of the persons responsible for attributing remuneration in Groupama Asset Management

Besides the Remuneration Committee (see above), which supervises the implementation of the Remuneration Policy, the persons in charge of the attribution of remuneration are:

- Philippe Setbon, CEO of Groupama Asset Management
- Adeline Buisson, Human Resources Manager of Groupama Asset Management

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2. Quantitative information

The following information is based on the annual declaration of salaries (N4DS) of Groupama Asset Management dated 31 December 2016.

The total Payroll of Groupama Asset Management for fiscal year 2016 was 23,567,106 euros. Of this sum, the performance-related variable remuneration based on performance in 2015 was 4,859,651 euros.

The 2016 Payroll of the employees identified as risk takers ("Identified Staff") under the terms of the AIFM Directive, is broken down as follows as a function of the different categories:

- Payroll of all Identified Staff: 11,311,133 euros
 - ✓ comprising Payroll of Managers
(excluding the heads of the individual Management sections) 3,253,210 euros
 - ✓ and Payroll of the Other Risk Takers 8,057,923 euros