

# BANQUE DEGROOF PETERCAM SA

## REMUNERATION POLICY

Confidential

Internal

Public

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## 1. INTRODUCTION

This document constitutes the general remuneration policy of Banque Degroof Petercam SA (the **Remuneration Policy**).

### 1.1 Scope

The principles and provisions of the Remuneration Policy apply to Banque Degroof Petercam SA and its Belgian and foreign subsidiaries (together Banque Degroof Petercam), and to their Employees in Belgium and abroad, regardless of the status of these Employees.

The Remuneration Policy serves as a remuneration policy for all Employees, including Employees performing Control Functions. For Identified Staff members, the Remuneration Policy for Identified Staff complements this Remuneration Policy.

### 1.2 Regulatory context and objective

The Remuneration Policy is established pursuant to and in compliance with the requirements of the regulations on remuneration in financial institutions providing investment services, resulting notably from:

- (i) Directive (EU) 2013/36 (known as CRD IV) on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
- (ii) Secondly, Directive (EU) 2019/878 (known as CRD V) which amends CRD IV;
- (iii) The implementation of these directives by Belgian internal regulation, in particular:
  - (A) the Law of 25 April 2014 on the status and supervision of credit institutions, which transposed CRD IV into Belgian law (hereinafter the "Banking Law");
  - (B) the Law of 11 July 2021 which amends the Banking Law in order to ensure the transposition of CRD V into Belgian law;
  - (C) the NBB circular of 10 November 2016 (NBB\_2016\_44) which transposes into the Belgian prudential framework the European Banking Authority (EBA) Guidelines of 27 June 2016 on sound remuneration policies (it should be noted that a revised version of the EBA Guidelines was published on 2 July 2021 and is expected to be applicable - subject its transposition into the Belgian prudential framework - by 31 December 2021); and
  - (D) the specific directives of the NBB, the EBA and the FSMA.

Similarly, the Remuneration Policy is also established in compliance with the European and Belgian provisions on conflicts of interest and rules of conduct in the markets for financial instruments (MiFID), including in particular the "Guidance on remuneration policies and practices" issued on 11 June 2013 by the European Securities and Markets Authority and implemented on 4 December 2013 by the FSMA.

### 1.3 Objective of the Remuneration Policy

The objective of the Remuneration Policy is to provide a framework for the remuneration mechanisms within Banque Degroof Petercam with a view to promoting sound and effective risk management,

while at the same time not encouraging any risk-taking that would exceed the level of risk tolerated by Banque Degroof Petercam, while promoting the objectives and long-term interests of Banque Degroof Petercam and the absence of conflicts of interest.

#### **1.4 Specific characteristics of Banque Degroof Petercam**

Banque Degroof Petercam is a private bank whose shares are not listed on the stock exchange.

It has always favoured advisory services over proprietary risk-taking and bases its development on the interaction between its various business lines, which are asset management for private and institutional clients, fund administration, market activities focused mainly on sales and advisory services and not on proprietary trading, corporate finance activities and asset and structured loans.

Banque Degroof Petercam is managed with a long-term perspective, ensuring that the interests of its clients, staff and shareholders are aligned. It has a strong corporate culture and takes care to ensure that its employees adhere to this culture and share its long-term vision.

Banque Degroof Petercam has always adopted prudent management and strong risk control in order to ensure the sustainability of its business and to avoid excessive volatility in its annual results, while allowing Banque Degroof Petercam to grow in the long term.

This is reflected in the risk management strategy of Banque Degroof Petercam as follows:

- Application of an appropriate remuneration policy aimed at not encouraging, or actually discouraging, significant risk-taking;
- Optimal and active prevention of conflicts of interest;
- Limitation of market risks;
- Limitation of credit risks;
- Prudent liquidity management;
- Long-term wealth management;
- Prudent strategic management

As a result, the risk profile of Banque Degroof Petercam is low to medium given its activities and risk management policy.

#### **1.5 Relationship with other rules on remuneration and performance monitoring**

The provisions of the Remuneration Policy apply to and supersede any internal provisions or local provisions on remuneration or performance monitoring which are less restrictive than the former.

Conversely, internal or local provisions on remuneration or performance monitoring will be maintained if they are more restrictive than the provisions of the Remuneration Policy or if they govern situations not covered by the Remuneration Policy, provided that the former provisions are not contrary to the principles set out in the Remuneration Policy.

## 1.6 Interpretation

In addition to the terms defined elsewhere in the Remuneration Policy, the definitions set out in Appendix 1 apply throughout the Remuneration Policy, unless otherwise stated.

## 1.7 Gender-neutral Remuneration Policy

The Remuneration Policy is gender neutral.

It is based on the principle of equal remuneration between male and female staff for the same or equivalent work.

In order to ensure that remuneration practices are effectively gender-neutral, Banque Degroof Petercam ensures that job descriptions are documented for all its staff members, so that it can be determined which positions are considered the same or equivalent, taking into account the type of activities, tasks and responsibilities. Other additional gender-neutral aspects may determine the level of pay, such as:

- (a) performance, the work undertaken, and the nature of the tasks to be performed;
- (b) place of employment and cost of living;
- (c) the staff member's hierarchical level, management responsibilities;
- (d) the educational level of the staff member;
- (e) the scarcity of staff available on the market for specialised positions;
- (f) the nature of the employment contract or management agreement, including whether it is a fixed-term or open-ended contract;
- (g) the professional experience of the staff member;
- (h) the staff member's professional certifications.

As appropriate (taking into account its size, the number of staff and the scope and complexity of its activities), Banque Degroof Petercam conducts periodic reviews to ensure that remuneration practices are effectively gender-neutral, in particular by monitoring any discrepancies in remuneration between male and female staff, both with regard to Banque Degroof Petercam's own staff and with regard to members of the management.

If significant differences appear between the remuneration of male and female staff, Banque Degroof Petercam examines the main reasons for these differences to ensure that they are gender-neutral or, failing that, takes appropriate measures to ensure equal remuneration for male and female staff.

In order to make remuneration more objective, Banque Degroof Petercam also periodically carries out independent benchmarking exercises for different levels of functions, which are gender neutral.

## 2. GENERAL PRINCIPLES OF REMUNERATION

2.1 For the purposes of the Remuneration Policy and any related documents, all Remuneration consists of either Fixed Remuneration or Variable Remuneration.

2.2 The following general remuneration principles apply to all Employees:

- (i) Any internal or local practices or provisions relating to remuneration or performance monitoring that co-exist with the Remuneration Policy:
  - (A) are consistent with Banque Degroof Petercam's business strategy, objectives, values and tolerated risk level;
  - (B) are in the long-term interests of Banque Degroof Petercam as well as the interests of Banque Degroof Petercam's clients, inter alia by avoiding conflicts of interest;
  - (C) enable and promote sound and effective risk management and support the effective control of risk and the protection of a sound and healthy financial base;
  - (D) comply with international and Belgian regulations on remuneration policies;
  - (E) promote sound and effective risk management with regard to sustainability risks, while the remuneration structure does not encourage excessive risk-taking;
  - (F) are adequately documented to allow proper monitoring of their implementation.
- (ii) The total volume of Variable Remuneration does not limit Banque Degroof Petercam's capacity to increase its equity; To this end, Variable Remuneration is only granted if there is sufficient margin to provide a Variable Remuneration budget. This budget is set by the Board of Directors on the proposal of the Remuneration Committee;
- (iii) Guaranteed Variable Remuneration is not compatible with sound risk management or the principle of pay for results and performance and is not part of forward-looking remuneration plans. Consequently, guaranteed Variable Remuneration will only be granted in exceptional cases, and only to newly recruited Employees and for their first year of employment, provided that Banque Degroof Petercam has a sound and solid financial basis;
- (iv) Employees may not use personal hedging strategies or compensation or liability insurance to offset the impact of the risk alignment built into their remuneration arrangements. Similarly, Banque Degroof Petercam will not accept any request to pay Variable Remuneration through vehicles or methods designed to facilitate non-compliance with the Remuneration Policy and the Remuneration Policy for Identified Staff;
- (v) Any pension policy is in line with the economic strategy, objectives, values and long-term interests of Banque Degroof Petercam. Without prejudice to the mandatory legal

rules on the termination of employment, self-employment and agency contracts, payments on termination of a contract shall be related to actual performance over time and shall not reward failure or fault.

**2.3** In addition, the following general remuneration principles apply to the Control Functions:

- (i) The level of Fixed Remuneration is sufficiently high to ensure that qualified and experienced Employees can be hired and retained;
- (ii) In the ratio between Fixed and Variable Remuneration, the weighting of the Fixed Remuneration is expected to be predominant;
- (iii) The Variable Remuneration is primarily based on specific objectives related to the exercise of the functions, which include qualitative criteria, but which are not based on the financial performance of the business areas and levels of the company they directly control.

### **3. PRINCIPLE OF PROPORTIONALITY AND OVERRIDING**

**3.1** In the context of a possible application of the principle of proportionality, which takes into account the specific characteristics of the economic cycle, the nature of the company, its level of risk, the skills and the actual presence of the Identified Staff concerned within Banque Degroof Petercam, and more specifically taking into account the low to medium risk profile of Banque Degroof Petercam and the level of the variable remuneration, Banque Degroof Petercam reserves the right to introduce a request in order to override some of the rules mentioned in the Remuneration Policy and in the Remuneration Policy for Identified Staff.

**3.2** The persistent low to medium risk profile of Banque Degroof Petercam is the result of the following optimal risk management strategy:

- (i) **Sound remuneration policy:** Banque Degroof Petercam applies an appropriate remuneration policy aimed at not encouraging, or actually discouraging, significant risk-taking;
- (ii) **Limitation of market risks:** Banque Degroof Petercam's objective is not to take significant risks in its activities for its own account. The main market risk is taken via the long-term equity investment activity (holding portfolio);
- (iii) **Limitation of credit risks:** the majority of Banque Degroof Petercam's credit portfolio is made up of highly collateralised asset loans in order to limit the risks and the consumption of equity capital;
- (iv) **Prudent liquidity management:** Banque Degroof Petercam is focused on ensuring its liquidity and, therefore, its sustainability. It is financed mainly by its client deposits and their reuse can be mobilised to a large extent with the BNB;
- (v) **Long-term management:** Banque Degroof Petercam favours long-term relationships with the private clients who place their trust in it and is very concerned about its reputation in general, particularly in terms of management;
- (vi) **Prudent strategic management:** Banque Degroof Petercam is not seeking to launch new activities.

#### 4. PRINCIPLES FOR PERFORMANCE MONITORING

##### 4.1 The following performance monitoring principles apply to all Employees:

- (i) At the beginning of the performance period, the Employee and one of his or her managers agree on a set of performance objectives in line with the strategy of Banque Degroof Petercam;
- (ii) In line with Banque Degroof Petercam's internal policies on the prevention and management of conflicts of interest, the performance objectives avoid creating situations of conflict of interest resulting, in particular, from incentives that may encourage employees to favour their own interests or the interests of Banque Degroof Petercam to the potential detriment of clients. To this end, the set of performance targets will include a significant proportion of qualitative criteria and will not establish a direct link between the sale of (categories of) specific financial instruments and the Variable Remuneration;
- (iii) A performance review is carried out at the end of the performance period by one of the managers. This review is carried out on the basis of financial and non-financial, individual or collective criteria;
- (iv) All performance target setting and performance evaluation is properly documented.

##### 4.2 By way of derogation from 4.1, the following performance monitoring principles apply to Control Functions:

- (i) At the beginning of the performance period, the employee and the manager of the department to which the Control Function reports agree on a set of performance objectives;

The objectives of the Control Functions are set within the following constraints:

- (A) The objectives are primarily related to the exercise of the functions, including to a large extent qualitative criteria;
  - (B) If financial objectives are set as part of the non-functional objectives, they may not be linked to the financial performance of the business areas and levels of the company that the Control Function directly supervises, but only to the financial results of Banque Degroof Petercam as a whole;
  - (C) At no time may the performance objectives of Control Functions compromise their independence or create a conflict of interest or, more concretely, have the effect that any of their decisions or actions may have a direct effect on the achievement of their financial objectives and the level of their Variable Compensation.
- (ii) A performance review is carried out at the end of the performance period by one of the managers. This assessment will be validated by the head of the department to which the Control Function reports;
  - (iii) All performance target setting and performance evaluation is properly documented.

**4.3** The Compliance and Risk Management Control Functions will verify, by random sampling determined by Compliance and Risk Management, the individual or group performance objectives set for a given year, as well as the link between the level of their achievement and the Variable Remuneration granted on the basis of the performance evaluation.

## **5. REMUNERATION GOVERNANCE**

**5.1** The following bodies and functions are involved in Remuneration matters within Banque Degroof Petercam:

- (i) Executive Committee;
- (ii) Remuneration Committee;
- (iii) Board of Directors;
- (iv) Control functions.

### **5.2 Executive Committee**

The implementation of the remuneration policy is carried out by the Executive Committee.

The remuneration policy is an integral part of the governance memorandum prepared under the responsibility of the Executive Committee and approved by the Board of Directors.

### **5.3 Remuneration Committee**

The Remuneration Committee is composed of non-executive members of the Board of Directors.

The Remuneration Committee formulates opinions and proposals for decisions to the Board of Directors relating to:

- (i) The remuneration policy of Banque Degroof Petercam and any changes to it;
- (ii) The overall variable remuneration package of Banque Degroof Petercam;
- (iii) The distribution of the budget between the entities of Banque Degroof Petercam or the business lines and the part of the budget reserved for Identified Staff;
- (iv) Remuneration of Identified Staff and Control Function Managers;
- (v) The remuneration of non-executive members of the Board of Directors;
- (vi) The possible implementation of stock option plans or capital increases reserved for Employees.

The Remuneration Committee directly oversees the Remuneration of the Control Function Managers;

In its advice and preparation of decisions, the Remuneration Committee takes into account the long-term interests of the shareholders, investors and other stakeholders of Banque Degroof Petercam as well as the public interest.



#### **5.4 Board of Directors**

The Board of Directors has the central role in determining any remuneration policy within Banque Degroof Petercam. It is the ultimate decision-making and supervisory body in this area.

The Board of Directors takes individual decisions on the Remuneration of members of the Identified Staff. Similarly, it can only consent to deviations from the remuneration policy.

It delegates the preparation of decisions to the Remuneration Committee and their implementation to the Executive Committee.

#### **5.5 Control functions**

- (i) The Employees who perform independent operational control functions are independent of the operational units of Banque Degroof Petercam and meet the requirements for the proper performance of their functions;
- (ii) The Control Functions, and more specifically Internal Audit and Compliance, cooperate closely with the Board of Directors, the Executive Committee and the Remuneration Committee in establishing, monitoring the application and evaluation of the Remuneration Policy and the Remuneration Policy for Identified Staff;
- (iii) As part of this cooperation, the Audit Functions may at any time, on their own initiative or at the request of the bodies concerned, formulate opinions;
- (iv) The Control Functions also cooperate in determining the general remuneration strategy of Banque Degroof Petercam, taking into account the promotion of effective risk management.

### **6. PREVALENCE OVER OTHER INTERNAL REGULATIONS, POLICIES OR GUIDELINES**

Given, firstly, the binding nature of the rules and regulations on which the Remuneration Policy is based and, secondly, the objectives of the Remuneration Policy, in the event of discrepancy between a provision of any other internal regulation, policy or guideline and the Remuneration Policy, the latter will prevail.

## 7. MISCELLANEOUS

- 7.1 The Remuneration Policy shall be regularly, and at least once a year, evaluated to ensure the effectiveness of the systems and internal control mechanisms and other arrangements put in place as well as the adequacy and compliance of its principles with the situation of Banque Degroof Petercam and the applicable regulations.

This evaluation will also include the monitoring of the conformity of the decisions taken on Variable Remuneration with the Remuneration Policy.

This evaluation will be carried out under the supervision of the Board of Directors, with the participation of the Remuneration Committee and the Control Functions.

Where necessary, appropriate action will be taken promptly to remedy any deficiencies.

- 7.2 All staff members have access to the general principles governing the Remuneration Policy, which is published.

## 8. PUBLIC COMMUNICATION

- 8.1 In accordance with the principle of proportionality and only if justified by the size of Banque Degroof Petercam, its internal organisation, and the scale and complexity of its activities, Banque Degroof Petercam will disclose in its management report all necessary information relating to employees whose professional activities have a significant impact on the bank's risk profile in accordance with all relevant applicable legislation, as amended from time to time. This information is listed in Article 450 of Regulation No 575/2013 (EU) of 26 June 2013:

- (i) Information on the decision-making process followed to define the Remuneration Policy, as well as the number of meetings held during the financial year by the main body in charge of overseeing Remuneration, including, if applicable, information on the composition and mandate of the Remuneration Committee, the external consultants whose services were used to define the Remuneration Policy and the role of the relevant stakeholders;
- (ii) Information on the link between Remuneration and performance;
- (iii) The most significant features of the Remuneration system, including information on the criteria used to measure performance and risk, the policy on deferral of Remuneration and the vesting criteria;
- (iv) The ratios between the fixed and variable components of Remuneration;
- (v) Information on the performance criteria used as a basis for the granting of shares, options or variable components of Remuneration;
- (vi) The main parameters and rationale for the variable component and non-cash benefit formulas;
- (vii) Aggregate quantitative information on Remuneration, broken down by area of activity;

- (viii) Aggregate quantitative information on Remuneration, broken down for management staff and employees whose activities have a significant impact on the institution's risk profile, indicating the following:
- (ix) The amounts of Remuneration during the financial year, broken down into fixed and variable remuneration, as well as the number of beneficiaries;
- (x) The amounts and form of Variable Remuneration, broken down into cash, shares, equity-linked instruments and other;
- (xi) Outstanding deferred Remuneration, broken down into vested and non-vested shares;
- (xii) The amount of deferred Remuneration granted during the year, paid and reduced as a result of a performance adjustment;
- (xiii) The amounts paid for recruitment and termination during the year and the number of recipients of such payments;
- (xiv) The amounts paid for termination of employment during the year, the number of beneficiaries and the highest amount awarded to a single person;
- (xv) The number of persons whose Remuneration reaches or exceeds EUR 1,000,000 per financial year, for Remuneration between EUR 1,000,000 and EUR 5,000,000, with a breakdown by Remuneration tranches of EUR 500,000, and for Remuneration reaching or exceeding EUR 5,000,000, with a breakdown by Remuneration tranches of EUR 5,000,000;
- (xvi) If requested by the competent authorities, the total Remuneration for each member of the management body or senior management.

## **9. ENTRY INTO FORCE**

The Remuneration Policy enters into force with immediate effect on 1 January 2022.

## APPENDIX 1

### INTERPRETATION

#### 1. GENERAL CONSIDERATIONS

- 1.1 The singular includes the plural and vice versa and references to words reflecting gender include both masculine and feminine.
- 1.2 Unless the context requires otherwise, "including/including/include" means "including/including/including without limitation".

#### 2. DEFINITIONS

- 2.1 The following terms used in the Remuneration Policy and its appendices have the following meaning:

**EBA** stands for European Banking Authority

**Banque Degroof Petercam** means Banque Degroof Petercam SA and its Belgian and foreign subsidiaries.

**BNB** stands for National Bank of Belgium.

**Employee** means any salaried employee and any self-employed person, including any executive director and member of an executive committee, whose main professional activity is for Banque Degroof Petercam.

**Executive Committee** means the executive committee of Banque Degroof Petercam S.A.

**Board of Directors** means the Board of Directors of Banque Degroof Petercam S.A.

**Control Functions** means any employee in one of the following departments who performs independent operational control functions: Compliance, Risk Management and Internal Audit.

**FSMA** stands for Financial Services and Markets Authority.

**Identified Staff** means the employees of Banque Degroof Petercam and its subsidiaries designated by the Executive Committee in application of the selection methodology and criteria set by the Board of Directors on the basis of the Delegated Regulation (EU) 2021/923. **Remuneration** means all forms of grants, payments and advantages, including non-financial ones, granted directly or indirectly, but on behalf of Banque Degroof Petercam, in exchange for work carried out by an employee of Banque Degroof Petercam.

**Fixed Remuneration** means any contractually fixed Remuneration granted independently of the Employee's performance.

**Variable Remuneration** means any Remuneration, discretionary or not, consisting of additional grants, payments or benefits depending on the level of performance of the Employee or other contractual criteria.