

2.6 ANNUAL REPORT ON COMPENSATION POLICY AND PRACTICES APPLICABLE TO CRD IV IDENTIFIED EMPLOYEES

Annual report on policy and compensation practices applicable to the individuals identified in Article L. 511-71 of the French Monetary and Financial Code and, where applicable, in application of European Commission Delegated Regulation (EU) No. 604/2014 of 4 March 2014

This report was prepared for the 2017 financial year in accordance with Article 450 of Regulation (EU) No. 575/2013 of 26 June 2013.

As their principal business is asset management, the asset management companies that make up most of the Amundi Group are subject to Directive 2011/61/EU ("AIFM") and Directive 2014/91/EU of 23 July 2014 on UCITS ("UCITS V"), in accordance with the European Securities and Markets Authorities guidance ESMA/2016/411.

Exclusively on its banking scope, Amundi is also subject to Directive 2013/36/EU, as implemented in France particularly through the Decree of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sector subject to the oversight of the French Prudential Supervision and Resolution Authority (ACPR) (CRD IV).

In accordance with the compensation policy of Crédit Agricole S.A. Group, Amundi's banking scope is subject to the same compensation policies as its asset management scope (application of the most efficient regulations for the purposes of sound risk management and alignment of interests), which involve in particular:

- more stringent rules and thresholds for deferred compensation than those proposed by CRD IV;
- the indexation of deferred variable compensation to the performance of a basket of funds that are representative of the activity;
- linking the payment of the deferred bonus to the absence of risky professional behaviour.

The quantitative information contained in this report only applies to the "identified employees" described in Article L. 511-71 of the French Monetary and Financial Code within Amundi's banking scope, *i.e.*, six individuals including Amundi's Chief Executive Officer.

Only the compensation of Amundi's Chief Executive Officer is subject to the Crédit Agricole S.A. compensation policy applicable to credit institutions and investment companies for his functions within the Crédit Agricole S.A. Group (Member of the Executive Committee and Deputy CEO in charge of the Savings, Insurance and Real Estate Division of the Crédit Agricole S.A. Group). These arrangements are detailed in Section 2.5.4. of the Registration Document.

AMUNDI GROUP GOVERNANCE REGARDING COMPENSATION POLICY

Governance of compensation

The applicable governance for compensation is described in Section 2.5.2 of the Registration Document.

In addition, in compliance with regulatory requirements, the Group's Human Resources Department works with the control functions (Risk Management and permanent Control, and Compliance) in the formulation of the compensation policies and the review of the Group's variable compensation, as well as the definition of the identified employees.

Composition and role of the Compensation Committee

The composition and role of the Compensation Committee with regard to compensation policy are presented in Section 2.4.1.4.4 of the Registration Document.

COMPENSATION POLICY OF "IDENTIFIED EMPLOYEES"

General principles of the compensation policy

The general principles of the compensation policy are described in Section 2.5.1. of the Registration Document.

The policy applicable to CRD IV "identified employees" is identical to the one applied to AIFM/UCITS V "identified employees", whose main features are detailed below.

Amundi's compensation policy is in line with the economic strategy and the long-term objectives, values and interests of the Company and funds under management and with those of investors, in sound and controlled risk management.

It should be noted that employee compensation consists of the following components:

- the fixed compensation rewards the missions, responsibilities and ongoing achievements as part of the position held by the employees;
- the annual bonus as compensation for individual performance;
- performance shares (LTI) aimed at motivating the executives to achieve the sales and financial objectives of Amundi's Medium-Term Plan, disseminated to the market;
- the employee benefits offer protection to employees and their families and help them prepare for retirement.

Individual variable compensation is awarded on a discretionary basis and is based on management's evaluation of performance:

- based on objective, quantitative and qualitative criteria;
- involving, depending on the position held, a short- or long-term timescale;
- and taking into account compliance with risk limits and client interest.

The criteria used in evaluating performance and awarding variable compensation depend on the type of functions performed:

Portfolio management and selection functions

Common financial criteria:

- gross and net performance of managed funds over one and three years;
- information ratio and Sharpe ratio over one, three and five years;
- performance fees generated during the financial year if applicable;
- contribution to net inflows received during the financial year.

Common non-financial criteria:

- compliance with internal rules for risk prevention and management (Risk Management/Compliance);
- product innovation;
- exchange, sharing of best practices and collaboration;
- contribution to sales effort;
- management quality.

Sales functions

Common financial criteria:

- net inflows;
- profitability;
- market share.

Common non-financial criteria:

- compliance with internal rules for risk prevention and management (Risk Management/Compliance);
- proper consideration of clients' interests;
- client satisfaction and quality of the business relationship;
- management quality.

Support and control functions

For control functions, the evaluation of performance and the awarding of variable compensation are independent from the performance of the business sectors they control.

The following criteria are generally taken into account:

- primarily criteria associated with achieving their objectives (risk management, control quality, completion of projects, improvements in tools and systems, etc.);
- when financial criteria are used, they mostly involve the management and optimisation of expenses.

From a broader perspective, the aforementioned performance criteria, and particularly those applied to "Identified Employees" in investment management, comply with the regulations applicable to managed funds as well as the investment policy of the manager's investment committee.

The allocation of variable compensation is subject to deferred payment procedures specified below.

Finally, Amundi's compensation policy is consistent with sound and controlled risk management. Accordingly, Amundi's variable compensation system preserves its sound financial condition:

- by establishing the overall variable compensation amount according to the Group's financial performance;
- by making the payment of deferred variable compensation dependent on the achievement of its financial performance objectives.

The Amundi variable compensation system is consistent with sound and controlled risk management:

- by specifying, as criteria used in the awarding of individual bonuses, that risk and compliance regulations must be respected as well as these quantitative criteria associating risk to performance for managers (Information ratio/Sharpe ratio at one, three and five years);
- by incorporating the opinions of an *ad hoc* committee in:
 - the distribution of the amounts by teams,
 - the individual allocations,
 - the vesting of the deferred variable compensation, which makes it possible to adjust variable compensation according to the risks recorded ex-post.

The compensation policy specifically applicable to the Amundi Chief Executive Officer is detailed in Section 2.5.4 of the Registration Document.

Scope of identified employees

Amundi's "identified employees" pursuant to CRD IV are identified based on the consolidated group scope (Crédit Agricole S.A.) and the sub-consolidated scope (Amundi) under the joint responsibility of the Human Resources, Risk and Permanent Control and Compliance functions.

The following are therefore defined as "identified employees" within Amundi in accordance with the qualitative and quantitative identification criteria established by CRD IV:

- the Chief Executive Officer and the Head of the Business Support and Control functions of Amundi;
- the Chief Executive Officer and the Deputy CEO of Amundi Finance;
- the Chief Executive Officer and the Deputy CEO of Amundi Intermédiation.

Rules for deferred payments applicable to "identified employees"

Rules for deferred payments applicable to bonuses

Bonuses awarded to "identified employees" are deferred by a minimum of 50% of the amount awarded as of the first euro, by tranche over three years, as soon as they attain a materiality threshold agreed upon with the regulator.

Each deferred compensation tranche only becomes vested based on performance conditions, the absence of risky professional behaviour and continued employment on the vesting date. The non-achievement of these conditions may lead to a decrease, or even a definitive loss of the amount to be vested.

The deferred portion of the bonus is indexed to a basket of funds that are representative of the activity of the Group or of its entities. The concerned employees are not authorised to use personal hedging strategies intended to counteract the effects of this indexation on the risk that is part of the management of deferred variable compensation.

The deferred payment rules specifically applicable to the Amundi Chief Executive Officer are detailed in Section 2.5.4.3.2 of the Registration Document.

Conditions for the acquisition of rights associated with the allocation of performance shares

- The shares allocated by the Board of Directors during its meetings of 11 February 2016 and 9 February 2017 are subject to conditions for the acquisition of rights that are similar to those for deferred bonuses (*i.e.* continued employment condition over three years, performance conditions, absence of risky professional behaviour and presence on the vesting date) in compliance with the authorisations granted to the Board of Directors by Amundi's AGM of 30 September 2015.
- The shares allocated by the Board of Directors during its meeting of 13 December 2017 are subject to similar conditions (*i.e.* performance conditions, absence of risky professional behaviour and presence on the vesting date, except for the continued employment condition, which is four years), with the performance conditions being tied to the achievement of the objectives of the combined Amundi-Pioneer Medium-Term Plan and in compliance with the authorisation given to the Board of Directors by Amundi's AGM of 18 May 2017.

Limitation of guaranteed bonuses

Payment of guaranteed variable compensation is strictly limited to hiring situations and has a duration of no more than one year. Guaranteed variable compensation is awarded subject to the applicable deferred compensation plan.

CONSOLIDATED QUANTITATIVE INFORMATION ON THE COMPENSATION OF IDENTIFIED EMPLOYEES

Compensation awarded for financial year 2017

Compensation amounts awarded in respect of financial year 2017, broken down between the fixed and variable portion and number of beneficiaries

	Management	Investment banking	Retail banking	Asset management	Support functions	Other	Total
Number of persons concerned				6			6
Total compensation				5.5			5.5
Amount of fixed portion				1.8			1.8
Amount of variable portion (including LTI)				3.7			3.7

The variable portion includes the total award of LTI in respect of four years of performance. The variable portion for 2017 represents €2.7 million, of which €0.3 million in LTI for 2017.

Amounts and types of variable compensation paid, broken down between vested or non-deferred amounts and conditional deferred amounts for employees whose compensation is deferred (in million euros) and number of beneficiaries

	Management	Investment banking	Retail banking	Asset management	Support functions	Other	Total
Number of persons concerned				6			6
Amount vested				0.9			0.9
Deferred payment amount, in indexed cash				0.2			0.2
Deferred conditional amount (including performance shares)				1.4			1.4

Amounts and type of variable compensation paid, broken down between payments in cash, in shares or in other instruments to employees whose compensation is deferred (in million euros) and number of beneficiaries

	Management	Investment banking	Retail banking	Asset management	Support functions	Other	Total
Number of persons concerned				6			6
Payments in cash				1.0			1.0
Payments in shares or other instruments				1.5			1.5

Outstanding variable compensation – in million euros

	Management	Investment banking	Retail banking	Asset management	Support functions	Other	Total
Amount of outstanding non-vested deferred compensation for 2017				2.6			2.6
Amount of outstanding non-vested deferred compensation for previous financial years				1.0			1.0

The amount of outstanding unvested deferred compensation for 2017 includes the total award in respect of LTI for four years of performance.

Deferred variable compensation paid or reduced due to net income for the 2017 financial year – in million euros

	For 2013	For 2014	For 2015
Amount of deferred compensation paid	0.4	0.4	0.5
Amount of reductions made to deferred compensation	0	0	0

Amounts paid for hires and terminations during financial year 2017

	Amounts paid	Number of beneficiaries
Amount of severance payments paid and number of beneficiaries	0	0
Amounts paid for new hires and number of beneficiaries	0	0

Guarantees for severance pay

	Amounts paid
Amount for guarantees for severance pay	0
Number of beneficiaries	0
Highest guarantee	0

Consolidated information on identified employees receiving total compensation exceeding €1 million

	France	Europe excluding France	Rest of World
From €1 million to €1.5 million			
From €1.5 million to €2.0 million			
From €2.0 million to €2.5 million			
In excess of €2.5 million	1		

Amounts calculated take into account the amount in respect of LTI for 2017, i.e. one quarter of the total award.