

# BofA Securities Europe Société Anonyme

## Pillar 3 Remuneration Disclosure

Performance Year Ended 31 December 2019

## **Pillar 3 Public Disclosure for Performance Year 2019**

### **Introduction**

The following remuneration disclosure sets forth a summary of the remuneration principles and programmes executed by BofA Securities Europe Société Anonyme (“BofASE”) as at 31 December 2019. Additionally, the disclosure sets forth information regarding the remuneration of staff identified as Material Risk Takers (“MRTs”) for BofASE, taking into account the qualitative and quantitative criteria to identify categories of staff whose professional activities may have a material impact on a firm’s risk profile developed by the European Banking Authority (the “EBA”) contained in Commission Delegated Regulation (EU) No 604/2014.

This document therefore incorporates the qualitative disclosure requirements under paragraphs (a) to (f) of Article 450(1) of the Capital Requirements Regulation (Regulation (EU) No 575/2013 – the “CRR”), and the quantitative disclosure requirements under paragraphs (g) to (i) of Article 450(1) of the CRR, as well as corresponding guidance as set out in the European Banking Authority Guidelines on Sound Remuneration Policies (the “EBA Guidelines”).

BofASE was established in France in September 2018. BofASE is a wholly owned indirect subsidiary of Bank of America Corporation (the “Company” or “Bank of America”), a corporation organised and existing under the laws of the United States of America. BofASE therefore falls within Bank of America Corporation’s global remuneration governance framework and global remuneration policies.

Bank of America applies prudent risk management practices to its incentive remuneration programmes across the enterprise, and is committed to a remuneration governance structure that effectively contributes to the Company’s overall risk management policies.

### **Governance and the Decision-making Process for Determining the Remuneration Policy**

As a U.S.-based firm, Bank of America’s primary regulator is the U.S. Board of Governors of the Federal Reserve System (the “Federal Reserve”). The Company’s remuneration programmes and practices are consistent with the Federal Reserve’s requirements, in addition to those of other regulators globally, including the Autorité de Contrôle Prudentiel et de Résolution (the “ACPR”). Additionally, shares of the Company’s common stock are traded on the New York Stock Exchange (the “NYSE”) and, as such, the Company is subject to requirements imposed by the NYSE, including those specified in the NYSE Listed Company Manual. The NYSE Listed Company Manual provides that the Board of Directors Compensation and Human Capital Committee (“CHCC”) is responsible for recommending to the Company’s Board of Directors the approval of incentive and equity-based compensation plans that are subject to the Company’s Board approval.

The Company therefore designs and governs its remuneration programmes on a global basis so that its programmes are consistent with the Company’s Global Compensation Principles as described in the Company’s Compensation Governance Policy (“CGP”) and sound risk management practices as well as compliant with applicable laws and regulations. The CHCC has adopted and annually reviews (most recently in September 2019) the CGP to govern incentive remuneration decisions and define the framework for design oversight of incentive remuneration programmes across the Company, including BofASE. The CGP is designed to be consistent with global regulatory initiatives so that the Company’s incentive remuneration plans do not encourage excessive risk-taking.

In order to provide an appropriate balance of risk and reward, incentive remuneration plans are developed in accordance with the Company's Global Compensation Principles, which are applicable to all entities including BofASE:

Principle 1. Compensation should be comprised of an appropriate mix of salary, benefits and incentives paid over time that properly aligns employee and stockholder interests.

Principle 2. Criteria for payment of incentive compensation should take into account Company-wide, business unit and individual factors.

Principle 3. Compensation should be determined on the basis of a combination of financial and non-financial factors that reflect both the current period and a longer period.

Principle 4. Compensation programmes should incorporate appropriate governance processes and procedures.

These principles work in conjunction with broader remuneration practices, including the Company's overall commitment to pay for performance, remuneration policies and risk management processes set forth in the Company's Risk Framework.

The Company applies its remuneration policy on a global basis and has four primary levels for the governance of incentive remuneration plans:

- (i) the Board of Directors,
- (ii) the CHCC, which is wholly made up of independent directors and functions as the Company's global Remuneration Committee,
- (iii) the Management Compensation Committee ("MCC"), and
- (iv) governance by line of business management and independent control functions aligned to the line of business and local governance (remuneration) committee(s) including the BofASE Remuneration Committee (the "BofASE RemCo").

The CHCC oversees the establishment, maintenance and administration of the Company's remuneration programmes and employee benefit plans. Under supervision of the CHCC, oversight, review and responsibility for remuneration decision-making is allocated to the appropriate level of the Company's structure so that the most relevant level of governance makes remuneration decisions with documented input from the Company's independent control functions. For BofASE, the most relevant level of governance is the BofASE CEO, the BofASE RemCo and BofASE independent control functions.

The BofASE RemCo's role, in accordance with Paragraphs 51 and 52 of the EBA Guidelines and Article L.511-102 of the French *Code Monétaire et Financier*, is to assist the BofASE Board in fulfilling its oversight responsibility relating to matters of corporate governance and implementation of the remuneration policies and practices, as reflected in the EMEA Remuneration Standard (the "EMEA Standard"). The EMEA Standard was adopted by the BofASE Board in June 2019, and sets forth the overall approach to the execution of the Company's remuneration philosophy and the operation of its remuneration programme across EMEA, including for BofASE in accordance with applicable French and EU remuneration

regulations. The BofASE RemCo therefore reviews the EMEA Standard for compliance with, and execution of, these French and EU remuneration regulations as relevant.

The EMEA Standard aligns itself with CGP, which allows BofASE to benefit from being part of the Company's global remuneration governance framework, and provides dual oversight of remuneration processes and practices within BofASE. The BofASE RemCo has a direct connection and open flow of communication with the CHCC, allowing any escalation of concerns and changes required relating to the operation of the Company's remuneration system for BofASE.

During performance year 2019, the BofASE RemCo held three (3) meetings and the CHCC held seven (7) meetings.

It is critical to the effective implementation of the CGP and EMEA Standard that the independent control functions operate independently from the lines of business they support. To this end, independent control functions operate as separate lines of business, and therefore the remuneration of independent control function employees (including salary levels and incentive awards) is independently determined and is not based on the financial performance of the individual lines of business they support.

As part of its governance routine, the CHCC meets with the heads of the Company's independent control functions (including the Chief Risk Officer ("CRO")) and lines of business to discuss their feedback on the pay-for-performance process, including their experience managing risk and conduct matters. In addition, the Company's CRO also certifies all incentive plans across the Company as part of the MCC's governance process. The BofASE RemCo interacts with other local Board committees, including the BofASE Board Risk Committee, regarding the operation of the Company's remuneration system as applicable to BofASE. Internal Audit will perform annual reviews of the remuneration policies and practices applicable to BofASE, including a review of the MRT identification process and the application of relevant remuneration rules.

As a result of these processes and reviews, and in combination with the risk management and clawback features of the Company's remuneration programmes, Bank of America believes that its remuneration policies and practices appropriately balance risk and reward in a way that does not encourage excessive or imprudent risk-taking or create risks that are reasonably likely to have a material adverse effect on the Company. Moreover, oversight by the CHCC, MCC, the BofASE RemCo, independent control functions, and line of business management help the Company maintain a remuneration programme that is intended to mitigate the potential for conflicts of interests.

The BofASE RemCo has the authority to obtain, at its discretion, advice and assistance from internal or external advisors as appropriate and/or necessary. The CHCC's independent remuneration consultant, Farient Advisors, LLC, meets regularly with the CHCC outside the presence of management and alone with the CHCC Chair.

### **The Link Between Pay and Performance**

The cornerstone of Bank of America's remuneration philosophy across all lines of business is to pay for performance – Bank of America (inclusive of BofASE), line of business and individual performance. Through the Company's Performance Management process, employees understand performance expectations for their role through ongoing dialogue with their manager. The Performance Management process is designed and monitored by the Leadership Development function in Human Resources. This

process is reviewed periodically so that it meets the needs of managers to assess and communicate performance expectations. Throughout the year, employees receive coaching on their performance and ultimately receive a rating for their full year of performance based upon their achievement of goals for their job.

BofASE does not remunerate or assess employees' performance in a way that encourages employees to act in a manner that creates conflicts of interests. In addition, each employee's performance is assessed on quantitative and qualitative objectives as well as specific behaviours, and performance is factored into each employee's incentive remuneration award. Depending on the employee, quantitative performance objectives may be focused on Company (inclusive of BofASE), line of business, or product results. Qualitative performance objectives may include quality and sustainability of earnings, successful implementation of strategic initiatives, adoption of risk culture/adherence to the Risk Framework and operating principles, adherence to the Code of Conduct, and other core values of the Company and BofASE.

Employees receive two ratings – a Result rating (based on factors such as business performance) and a Behaviour rating (based on factors such as conduct, broader contributions to Bank of America and/or BofASE, leadership, teamwork, etc.). The scale for both ratings is Exceeds Expectations, Meets Expectations, and Does Not Meet Expectations. Both the Result and Behaviour ratings are used in determining employees' remuneration. As a result, an employee's remuneration can be influenced not only by what the employee achieves, but how the employee achieves it and the employee may receive no variable award if performance is not sufficiently strong.

The Company's pay-for-performance programme also requires that all employees complete annual mandatory risk and compliance training.

### **Risk Management and Incentive Plans**

Risk is inherent in every material business activity that the Company (inclusive of BofASE) undertakes. BofASE's business exposes it to strategic, credit, market, liquidity, compliance, operational and reputational risks. BofASE must manage these risks to maximize its long-term results by ensuring the integrity of its assets and the quality of its earnings. To support the BofASE's corporate goals and objectives, risk appetite, and business and risk strategies, BofASE maintains a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the BofASE Board.

The BofASE Board has adopted the Company's Risk Framework which defines the accountability of the Company, its subsidiaries and its employees in managing risk. BofASE's Risk Appetite Statement defines the parameters under which it will take risk and its strategic and financial operating plans. Management monitors, and the BofASE Board oversees (directly and through its committees, including the BofASE RemCo as applicable), BofASE's financial performance, execution against the strategic and financial operating plans, compliance with the risk appetite metrics and the adequacy of internal controls.

The Company believes that prudent risk management practices are applied to its incentive remuneration programmes across the enterprise. The Company continually evaluates the design of its remuneration programmes in accordance with the Risk Framework. The CHCC and the BofASE RemCo are committed to

a remuneration governance structure that effectively contributes to the Company's broader risk management policies, including those applicable to BofASE.

The Company's incentive plans, as applicable to BofASE, are designed to compensate employees based on their performance ratings for results against their individual performance plan and behaviours, as well as overall Company and line of business performance.

Annual budgets for incentive pools are established as part of the overall financial planning process so that planned incentives align to the overall anticipated performance of the Company (inclusive of BofASE). Incentive pools are based on a combination of financial, risk and non-financial measures and performance. The determination of incentive pools is also subject to management discretion, taking into account overall performance, inclusive of risk, of the Company (inclusive of BofASE) and / or specific lines of business and other factors including the achievement of strategic objectives and a qualitative assessment of the quality and sustainability of earnings over time. Incentive pools may be adjusted to reflect long-term risk arising through line of business and product performance.

Risk is also taken into account and managed in connection with the Company's incentive remuneration programmes through arrangements permitting performance adjustment of deferred variable remuneration. Employees in positions where the greatest risk is being taken are generally subject to higher levels of deferral and potential performance adjustments.

## **Employee Pay**

BofASE compensates its employees using a balanced mix of fixed remuneration, benefits, annual cash incentives and deferred incentives (which are delivered in equity, equity-based instruments or cash). In general, the higher an employee's management level or amount of incentive compensation award, the greater the proportion of incentive compensation should be (i) subject to deferral and (ii) delivered in the form of equity-based compensation.

Fixed remuneration mainly consists of base salary, employer pension and benefits contributions and, for certain employees, fixed role-based allowances. Base salary and fixed role-based allowance levels reflect each employee's scope of responsibility, experience, market pressures and accountability within the Company and are intended to be part of a competitive total remuneration package. Employer pension and benefits contributions align to local market practice and legal requirements.

The portion of employees' remuneration that is variable, i.e., annual cash incentives and deferred incentives, as a percentage of total remuneration, generally increases for more senior positions. The remuneration mix is reviewed annually so that BofASE operates a balanced and market-competitive programme whilst in compliance with local regulations.

The Company believes equity-based awards are the simplest, most direct way to align employee interests with those of its stockholders. This serves two key objectives, which are to focus employees on long-term sustainable results and to subject remuneration awards to risk over an appropriate time horizon that can be easily communicated and understood. For individuals receiving variable compensation above the value of an internally defined threshold, a portion of incentive awards is provided as a deferred incentive that generally becomes earned and payable over a period of three years after grant, increasing to longer periods for certain MRTs to reflect local regulatory requirements as described below. Deferred incentives will be cancelled in case of detrimental conduct and, where applicable, may also be cancelled if the

Company, line of business or business unit (as applicable) fails to remain profitable during the vesting period.

BofASE offers guaranteed bonus payments only in exceptional circumstances to new hires, limited to the first year of employment. Where required, BofASE may offer and structure severance payments in accordance with relevant employment law or regulatory requirements.

### **Material Risk Taker Pay**

BofASE operates an MRT Identification Framework that is compliant with EU and local regulatory requirements and is overseen by the BofASE RemCo as appropriate. MRTs are employees whose professional activities have a material impact on the risk profile of BofASE's operations. BofASE applies the qualitative and quantitative criteria outlined in the EBA's Regulatory Technical Standards for the identification of MRTs (the "RTS") as well as additional criteria identified by BofASE through internal governance routines. BofASE MRTs are determined based on the role and activities of the employee taking into consideration the size, internal organization and nature, scope and complexity of the activities of BofASE.

BofASE MRTs are subject to the remuneration requirements per CRD IV and related guidance as applicable. In accordance with Article 94(1)(g) of the Capital Requirements Directive 2013/36/EU ("CRD IV") and with article L.511-78 of the French *Code Monétaire et Financier*, BofASE has obtained approvals from relevant shareholders to increase the maximum ratio of variable compensation to fixed compensation to 200% for each individual. This was passed unanimously by relevant group holding companies in October 2019. Equivalent approvals have been obtained for Bank of America subsidiaries in other European jurisdictions as applicable.

Variable remuneration for BofASE MRTs is structured per the requirements outlined in the French *Code Monétaire et Financier*, CRD IV and the EBA Guidelines and generally consists of a mixture of upfront (delivered in cash or restricted stock units ("RSUs")) and deferred payments. The equity-based component is a minimum of 50% of variable remuneration, made up of deferred and immediately vested remuneration. Deferred awards are delivered in the form of equity-based awards, typically in the form of RSUs which become earned and payable over a period of three or five after grant (as appropriate) and will be at least 40% or 60% of the total incentive award (as required). Variable remuneration delivered in immediately vested or deferred equity-based awards for BofASE MRTs is subject to an appropriate holding period after vesting, which generally will be one year. Deferred awards do not carry dividends or dividend equivalents during the deferral period, as required under relevant regulations.

BofASE may apply individual proportionality concessions to MRT deferral, payment in equity and holding period requirements consistent with relevant regulations. Deferral percentages applied to BofASE MRTs are no less than, and in many cases in excess of, what is required under the relevant regulations.

Deferred awards will be cancelled in the case of detrimental conduct and may be cancelled if the Company (inclusive of BofASE), line of business or business unit (as applicable) fails to remain profitable during the vesting period. If risks taken as part of approved business strategies do not result in sustainable profits, or if the employee fails to behave according to Company standards or fails to meet the criteria set out in CRD IV and related guidance, the value of the deferred equity award may be impacted or adjusted

downwards, and/or vested amounts may be clawed back. In the case of BofASE MRTs, 100% of total variable remuneration (whether upfront or deferred) is subject to malus and/or clawback arrangements.

By combining deferred awards with appropriate malus and clawback provisions, including the criteria set out in CRD IV, the EBA Guidelines and the French *Code Monétaire et Financier*, BofASE considers that it places a strong focus on sustainable long-term results and appropriate behaviours.

The recommendations for performance year 2019 incentive awards for MRTs were reviewed by the CHCC in January 2020.

## Disclosure Tables

This section contains the aggregated quantitative information required under paragraphs (g) to (i) of Article 450(1) of the CRR and related guidance as set out in the EBA Guidelines, in relation to performance year 2019, as applicable to employees and MRTs of BofASE<sup>1</sup>.

All remuneration data is shown in EUR 000s<sup>2</sup>.

### 2019 Total Remuneration

	All Employees
Number of Staff <sup>3</sup>	300
Total remuneration	130,977
Fixed remuneration <sup>4</sup>	72,969
Variable remuneration <sup>5</sup>	58,008

	Senior Management		Other MRTs		
	Management Body <sup>6</sup>	Other Senior Management <sup>7</sup>	Global Banking and Markets	Independent Control Functions	Corporate Functions
Number of beneficiaries <sup>8</sup>	8	10	126	45	20
Total remuneration <sup>9</sup>	16,295	10,174	48,265	14,603	8,013
Fixed remuneration <sup>4,9</sup>	6,862	6,022	29,229	8,706	4,462
Variable remuneration <sup>5,9</sup>	9,433	4,152	19,036	5,897	3,551
Upfront cash	-	402	4,066	1,968	1,071
Upfront equity-based awards	1,297	402	2,656	995	786
Deferred equity-based awards	8,136	3,348	12,314	2,934	1,694

### Deferred Remuneration<sup>10</sup>

	Senior Management		Other MRTs		
	Management Body	Other Senior Management	Global Banking and Markets	Independent Control Functions	Corporate Functions
Outstanding at 1 Jan 2019	14,835	12,266	36,141	10,894	6,268
Awarded in 2019	13,193	7,178	19,443	4,822	2,766
Vested, paid in 2019	4,719	5,922	17,195	5,047	2,751
Performance adjustment reductions in 2019	-	-	-	-	-
Outstanding at 31 Dec 2019	23,309	13,522	38,060	10,669	6,283
Vested outstanding	-	98	2,111	353	424
Unvested outstanding	23,309	13,424	35,949	10,316	5,859
Awarded in Feb 2020	6,808	4,320	16,396	4,230	2,235



## Sign On and Severance Payments<sup>11</sup>

	Senior Management		Other MRTs		
	Management Body	Other Senior Management	Global Banking and Markets	Independent Control Functions	Corporate Functions
Total sign on payments	-	-	-	-	-
Number of beneficiaries	-	-	-	-	-
Total severance payments	-	-	53	406	-
Number of beneficiaries	-	-	1	2	-
Awarded and paid in 2019	-	-	53	406	-
Awarded and unpaid in 2019	-	-	-	-	-

## 2019 Total Remuneration<sup>4,5,9</sup> Above EUR 1 million

Total Remuneration Range	Number of MRTs
EUR 1 million to EUR 1.5 million	13
EUR 1.5 million to EUR 2 million	2
EUR 2 million to EUR 2.5 million	0
EUR 2.5 million to EUR 3 million	2
EUR 3 million to EUR 3.5 million	0
EUR 3.5 million to EUR 4 million	1
EUR 4 million to EUR 4.5 million	0
EUR 4.5 million to EUR 5 million	0
Over EUR 5 million	1

### Notes

- The BofASE MRT population includes staff of BofASE as well as staff of other European entities whose professional activities have been identified as potentially having a material impact on the risk profile of BofASE's operations. BofASE MRTs may also be MRTs of other European entities and could therefore additionally be reflected in relevant regulatory reportings for these entities.
- EUR:USD FX Rate 1.1225936.
- Comprises permanent and fixed-term employees, as well as Non-Executive Directors, of BofASE as at 31 December 2019.
- Comprises base salaries, fixed allowances and estimated pensions, benefits, and on-going international mobility-related allowances, as relevant. Separately, incremental tax costs were met on behalf of certain MRTs, reflecting the higher tax rates applicable as a result of these MRTs being on an ex-patriate assignment in a different country - the costs incurred in 2019, based on estimated tax positions (and which may include tax costs relating to remuneration awarded in previous years), were EUR 1.04m in aggregate, and the inclusion of these costs would result in one MRT being in the EUR 1.5m to 2m range (rather than the EUR 1m to 1.5m range) and one MRT being in the EUR 4m to 4.5m range (rather than the EUR 3.5m to 4m range). These estimated tax costs will only be fully reconciled once relevant tax returns have been filed. No fixed remuneration is paid as equity-based awards or other instruments.
- Variable remuneration in respect of performance year 2019. Comprises upfront awards (cash and equity-based awards) and deferred equity-based awards. Remuneration is included on a basis consistent with values used in complying with the maximum permitted ratio of fixed to variable pay where applicable. Any remuneration in the form of severance awards that fall outside of paragraph 154 (a)-(c) of the EBA Guidelines is counted for the purposes of such ratio.
- Comprises Non-Executive Directors and Executive Directors of the BofASE Board.
- Comprises BofASE MRTs considered to be senior management, excluding the Supervisory and Management Body.
- The number of beneficiaries refers to the number of MRTs who received the remuneration reported in the corresponding column.
- Where applicable, for employees who are BofASE MRTs for part of the year, the relevant portions of performance year 2019 remuneration within the scope of this disclosure are shown.
- All amounts of deferred remuneration, including MRT awards and awards granted in prior performance years, are shown in full, including for employees who held a BofASE MRT role for part of performance year 2019. Stock price for deferred remuneration value calculations: USD 34.85 as at 14 Feb 2020. All deferred remuneration is subject to performance adjustment and detrimental conduct provisions.
- Awarded during 2019. Sign-on figures comprises guaranteed payments which are only made in exceptional circumstances to new hires and limited to first year of employment. Any severance awards that fall outside of paragraph 154 (a)-(c) of the EBA Guidelines are counted for the purposes of the maximum permitted ratio of fixed to variable remuneration. Highest single severance payment of EUR 225,000.