



**REPORT ON ACTIVITIES OF
THE SUPERVISORY BOARD OF
BANK BGŻ BNP PARIBAS S.A.
AND ITS COMMITTEES IN 2016**

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1. COMPOSITION OF THE SUPERVISORY BOARD IN 2016

The composition of the Supervisory Board of Bank BGŻ BNP Paribas S.A. as at 31 December 2016 was as follows:

Name and surname	Office held in the Supervisory Board of the Bank
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman, Independent Member of the Supervisory Board
Jean-Paul Sabet	Vice-Chairman of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Jacques d'Estais	Member of the Supervisory Board
Alain Van Groenendael	Member of the Supervisory Board
Thomas Mennicken	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

2. INDEPENDENCE OF THE SUPERVISORY BOARD MEMBERS

There are two independent members of the Supervisory Board:

Name and surname	
Jarosław Bauc	Deputy Chairman of the Supervisory Board
Mariusz Warych	Member of the Supervisory Board

Pursuant to the provisions of the Articles of Association, at least two members should be independent. Mr Jarosław Bauc and Mr Mariusz Warych meet the statutory requirements concerning independent members of the Supervisory Board, including among others:

- they do not hold and have not held, for the last five years, the function of a member of the Management Board or another managerial function, regardless of the legal form of employment, whether in the Bank, its subsidiaries or parent entity;
- they are not and have not been employed in the Bank, its subsidiaries or parent entity, or in associated entities of the Bank, for the last three years;
- they have not received any additional remuneration apart from the compensation due for the membership in the Supervisory Board, or any other financial benefits from the Bank, its subsidiaries or parent entity, with the exception of benefits due to the Supervisory Board member as a consumer who has entered into an agreement on standard terms with the Bank, its subsidiary or parent entity;
- they have not been shareholders or members of the management, managerial personnel or employees of the shareholder holding shares representing more than 5% of the total number of votes at the General Meeting of the Bank, nor have been members of the management, managerial personnel or employees of the shareholder of the Bank holding such number of shares which makes it possible to effectively control the Bank;
- in the year preceding the election for the Supervisory Board, they did not have or do not currently have, any material commercial or business connections with the Bank, its subsidiaries or parent entity which could significantly affect their independence;
- they are not and have not been for the last three years chartered auditors or employees, members of the management, managerial personnel or shareholders of an entity providing chartered auditor's services to the Bank, its subsidiaries or parent entity;
- they are not members of a management board in another company in which a member of the Bank's Management Board is a member of the supervisory board;

- they do not have material connections with members of the Bank's Management Board manifested in the joint shareholding in other companies or governing bodies of those companies;
- they are not and have not been, for the last three years, a spouse, partner or relative of a member of the Bank's Management Board, or an employee holding a position in the Bank which is directly subordinated to the Bank's Management Board or a member of the Bank's Management Board.

3. ACTIVITIES OF THE SUPERVISORY BOARD IN 2016

The Supervisory Board of Bank BGŽ BNP Paribas SA has permanently supervised the Bank's business activity in all its areas.

In 2016, there were eight meetings of the Supervisory Board. Furthermore, the Supervisory Board passed 120 resolutions.

In 2016, the Supervisory Board addressed the following issues:

- assessed and provided the Ordinary General Meeting with a written report on the results of the assessment of the Bank's financial statements, the Management Board's report on the activity of the Bank, including the Brokerage House, consolidated financial statements of the Bank's Capital Group and the Management Board's Report on the activity of the Bank's Capital Group for 2015, and the assessment of the Management Board's conclusions on the distribution of profit for 2015 along with assessment of adequacy and effectiveness of the Bank's internal audit and recommended that the Ordinary General Meeting should approve the discharge of duties performed by the Bank's Management Board Members in 2015,
- discussed the Bank's interim financial statements and results of each business line,
- discussed and passed resolutions on the Bank's Development Strategy,
- discussed and passed resolutions on the Bank's Financial Plan for 2017 as well as financial assumptions for the years 2018-20,
- passed resolutions on changes in the composition of the Bank's Management Board,
- passed resolutions updating the stress tests analysis methodology on the sensitivity of the interest rate positions, foreign exchange, liquidity and capital,
- passed resolutions on approving the level of model risk tolerance,
- passed resolutions on adopting the Internal Audit Charter,
- passed resolutions on adopting "The updated Capital Plan of Bank BGŽ BNP Paribas S.A. for 2016-2018"
- passed resolutions on adopting the Capital Management Plan for 2017-2020.
- passed resolutions on adopting the updated Capital Management Rules at Bank BGŽ BNP Paribas S.A.
- passed resolutions on adopting the updated Capital Contingency Plan of Bank BGŽ BNP Paribas S.A..
- passed resolutions on the Risk Management Strategy.
- passed resolutions on the ICAAP Methodology.
- passed resolutions on the Liquidity Emergency Plan.
- acquainted itself with a report on the implementation of the Bancassurance Policy and the Accounting Policy Principles in this area.
- acquainted itself with the principles of ensuring protection of confidential information and reporting at the Bank due to the implementation of the MAR regulation.
- acquainted itself with the topics discussed during the meetings of the Internal Audit Committee.
- acquainted itself with the quarterly reports on activities of the Compliance & Fraud Prevention Line
- passed resolutions on the Risk Committee by-laws, on amended by-laws of the Human Resources and Remuneration Committee, on amended by-laws of the Supervisory Board and on amended by-laws of the Internal Audit Committee,
- acquainted itself with the report on the risk levels associated with mortgage exposures taken on by the Bank, utilization of internal limits as well as the quality and effectiveness of the credit processes, implementation of the credit policy (Recommendation S) and the information about market, liquidity and counterparty risk and capital requirements. (Recommendations G and P).

4. COMMITTEES AT THE SUPERVISORY BOARD IN 2016

There are internal committees of advisory and consulting character operating at the Supervisory Board:

- Internal Audit Committee of the Bank,
- Human Resources and Remuneration Committee,
- Risk Committee

4.1. Internal Audit Committee of the Bank

Number of meetings held: 9

In line with its competences, in 2016, the Internal Audit Committee acquainted itself with, among others, financial reports of the Bank and the Bank's Capital Group for the year 2015, quarterly and half-year reports in 2016, action plans of the Compliance and Fraud Prevention Line, information on monitored recommendations and implementation of the recommendations of the Polish Financial Supervision Authority, reports on the Internal Audit Line activities, reports on the Compliance and Fraud Prevention Line activities, reports on the internal capital adequacy assessment process (ICAAP), risk management strategy at Bank BGŻ BNP Paribas SA, update of the Capital Contingency Plan at Bank BGŻ BNP Paribas SA, reports on performing audit at the Brokerage House and on executing the Compliance function at the Brokerage House, report on the Operational Risk Mapping and assessment of efficiency of internal audit mechanisms and processes, changes introduced by IRFS9.

In addition, the Internal Audit Committee approved of providing services in favour of the Bank by the entities belonging to the group of the entity authorized to audit financial statements, services related to the preparation of the Recovery Plan and legal and tax advisory services with respect to the analysis of the Bank's compliance with the FATCA regulations.

Composition of the Internal Audit Committee of the Bank in 2016:

- *Jarosław Bauc* - Chairman (until 30 June 2016 due to the expiry of the mandate of the Supervisory Board of the previous tenure, after the General Meeting was held), Member (appointed on 21 July 2016 at the meeting of the Supervisory Board in connection with appointing to the new tenure of the Supervisory Board by the General Meeting on 30 June 2016)
- *Mariusz Warych* - Member (until 30 June 2016 due to the expiry of the mandate of the Supervisory Board of the previous tenure, after the General Meeting was held), Chairman (appointed on 21 July 2016 at the meeting of the Supervisory Board in connection with appointing to the new tenure of the Supervisory Board by the General Meeting on 30 June 2016)
- *Monika Nachyla* - Member (until 30 June 2016 due to the expiry of the mandate of the Supervisory Board of the previous tenure, after the General Meeting was held and re-appointed on 21 July 2016 at the meeting of the Supervisory Board in connection with appointing to the new tenure of the Supervisory Board by the General Meeting on 30 June 2016)
- *Jean-Paul Sabet* - Member (until 30 June 2016 due to the expiry of the mandate of the Supervisory Board of the previous tenure, after the General Meeting was held and re-appointed on 21 July 2016 at the meeting of the Supervisory Board in connection with appointing to the new tenure of the Supervisory Board by the General Meeting on 30 June 2016)

4.2. Human Resources and Remuneration Committee

Number of meetings held: 4

Performing its task in 2016, the Human Resources and Remuneration Committee, among others, discussed the changes in the composition of the Management Board, acquainted itself with the new terms and conditions for employing the management board members, discussed the principles and amount of compensation for the new members of the management board, acquainted itself with the compensation principles (success fee) and assessment of meeting the conditions for the success fee disbursement, draft resolutions on bonus granted discretionarily for 2015 to members of the management board and assigning the "good leaver" status to former members of the management board, information on employment and compensation, issues on bonus granted discretionarily, compensation and remuneration policy for persons who have significant impact on the risk profile of Bank BGŻ BNP Paribas S.A. and Regulations governing allocation and payment of the variable remuneration components, agreement amending contracts of employment of the management board members, new "Remuneration policy for persons who have significant impact on the risk profile of Bank BGŻ BNP Paribas S.A."

Composition of the Human Resources and Remuneration Committee of the Bank in 2016:

- *Jean-Paul Sabet* - Chairman (until 30 June 2016 due to the expiry of the mandate of the Supervisory Board of the previous tenure, after the General Meeting was held and re-appointed on 21 July 2016 at the meeting of the Supervisory Board in connection with appointing to the new tenure of the Supervisory Board by the General Meeting on 30 June 2016)
- *Stefaan Decraene* - Member (until 30 June 2016 due to the expiry of the mandate of the Supervisory Board of the previous tenure, after the General Meeting was held and re-appointed on 21 July 2016 at the meeting of the

Supervisory Board in connection with appointing to the new tenure of the Supervisory Board by the General Meeting on 30 June 2016)

- *Józef Wancer* - Member (until 30 June 2016 due to the expiry of the mandate of the Supervisory Board of the previous tenure, after the General Meeting was held and re-appointed on 21 July 2016 at the meeting of the Supervisory Board in connection with appointing to the new tenure of the Supervisory Board by the General Meeting on 30 June 2016)

4.3. Risk Committee

Number of meetings held: 2

Performing its tasks in 2016, the Risk Committee discussed, among others, the credit and operational risk dashboard, ALMT risk dashboard along with the information on market, liquidity and counterparty risk and capital requirements, updated Methodology for the analysis of stress testing on sensitivity of interest rate position, FX position, liquidity and capital, approved the limit of tolerance to model risk.

The Risk Committee comprises at least three members of the Supervisory Board.

Composition of the Risk Committee in 2016:

- *Jean-Paul Sabet* – Chairman (appointed on 21 July 2016)
- *Monika Nachyła* – Member (appointed on 21 July 2016).
- *Mariusz Warych* – Member (appointed on 21 July 2016).

5. SELF-ASSESSMENT OF THE SUPERVISORY BOARD WORK IN 2016

The Supervisory Board of Bank BGŻ BNP Paribas SA states that in 2016 it adequately supervised the Bank's business activities in all its areas in a continuous manner, pursuant to the applicable law and the Bank's Articles of Association.

6. ASSESSMENTS PERFORMED BY THE SUPERVISORY BOARD IN 2016

6.1. **Assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant control mechanisms, in particular financial reporting and operational activity**

The Supervisory Board positively assessed the Bank's standing.

At the same time, the Supervisory Board states that the system of internal control mechanisms, risk management, compliance and internal audit function, including control mechanisms covering financial reporting and operational activity, is working well and is adequate to the Bank's activity level and complexity, as well as it complies with the adopted principles.

6.2. **Assessment of the Bank's compliance with the Principles of Corporate Governance for the Supervised Institutions of 22 July 2014 issued by the Polish Financial Supervision Authority.**

In the opinion of the Supervisory Board, the Bank and its authorities complied with the adopted Principles of Corporate Governance for the Supervised Institutions. The Supervisory Board did not identify any violations by the Bank of the Principles of Corporate Governance for the Supervised Institutions in the period covered by this report.

6.3. **Assessment of the Bank's compliance with the disclosure obligations concerning compliance with the corporate governance principles specified in the Good Practices of Companies listed on Warsaw Stock Exchange 2016**

In the opinion of the Supervisory Board, the Bank's Management Board adequately performed disclosure obligations under the principles specified in the Good Practices of Companies Listed on Warsaw Stock Exchange 2016, duties defined in the Stock Exchange By-laws and provisions on disclosure obligations by companies traded on the public market.

6.4. Assessment of the policy regarding the election of Members of the Bank's Management Board or Supervisory Board as regards ensuring versatility and diversity of such authorities, including with respect to gender, education, age and professional experience.

The Supervisory Board positively assessed best practices adopted by the Bank in the field of diversity policy with respect to all the Bank's employees, regardless of their position, with particular emphasis on the Bank's authorities and its key managers.

As regards the appropriate composition of the Management Board and Supervisory Board in terms of education and experience, in 2016 the Bank applied the rules arising from the Bank's Articles of Association, that is:

- 1) at least two Management Board Members, including the President, should have knowledge and experience that allow for a stable and prudent management of the Bank. While at least half of the Bank's Management Board Members have good knowledge of the banking market in Poland, i.e. they have permanent residence in Poland, have a good command of Polish and appropriate experience on the Polish market (Article 21 para. 3-4 of the Bank's Articles of Association).
- 2) at least half of the Bank Supervisory Board members have good knowledge of the banking market in Poland, i.e. they have a good command of Polish and appropriate experience on the Polish market (Article 16 para. 1 of the Bank's Articles of Association).