

Report on the assessment of the functioning of the remuneration policy in 2016

In 2016, due to the period after the merger of the banks, there was a transitional period in which the main internal regulation on remuneration policy at Bank BGŻ BNP Paribas S.A. was the Collective Labour Agreement of the employees of Bank Gospodarki Żywnościowej S.A., concluded with the trade union organizations, which entered into force on 19 December 2005 with further amendments (ZUZP), excluding the provisions of BNP Paribas Bank Polska S.A. and Sygma Bank Polska S.A. regarding the list of positions and pay scales.

According to the provisions of *Collective Labour Agreement*, employees of the Bank are entitled to base salary, extra pay (for example for overtime work, for work on night shifts). Employees can also receive bonuses and awards.

The Bank realizes a rational, sustainable and controlled remuneration policy, ensuring its compliance with the strategy, acceptable risk level and standards and key values of the Bank. The remuneration policy reflects the Bank's orientation towards the client while taking into account the long-term interest of the Bank and socially accepted practices in the area of remuneration. It complies with the relevant laws and regulations.

The Human Resources and Remuneration Committee is set up at the Bank, which assists the Supervisory Board in its supervisory duties in the area of human resources management by monitoring and overseeing key processes. The Committee prepares opinions and recommendations for the Supervisory Board regarding, among others, terms and conditions of employment of the Bank's Management Board members, including fixed and variable remuneration.

The variable remuneration of Management Board members and employees employed in managerial positions that have a significant impact on the Bank's risk profile.

Members of the Management Board and employees whose professional activity has significant impact on Bank risk profile are covered by separate remuneration regulations:

- *Policy of Remuneration of the Management Board Members in Bank Gospodarki Żywnościowej S.A.*,
- *Remuneration Policy for all employees of Bank Gospodarki Żywnościowej S.A.* covering employees on managerial positions that have a significant impact on the Bank's risk profile.

The said Policies were developed in accordance with the recommendations formulated in PFSA's Resolution No. 258/2011 as well as the requirements under CRD4, and they were approved by the Supervisory Board on 21 June 2012.



In March 2016, the Bank settled and paid the variable remuneration for members of the Management Board and other employees identified as Risk Takers. In March 2016, a cash part of the non-deferred variable remuneration for 2015 and the cash part of the deferred variable remuneration for the years 2012, 2013 and 2014 were paid. In September 2016, variable remuneration (non-deferred part for 2015 and the deferred part for the years 2012, 2013 and 2014) awarded in the form of phantom shares were paid, the value of phantom dependent on the value of BGŻ BNP Paribas shares. Thus, the entire 2012 bonus for the persons covered by the Policies was settled.

In September 2016 the *Policy* was updated in accordance with Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

List of employees, whose professional activity has significant impact on Bank risk profile is prepared taking into account requirements of Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (Official Journal of the European Union dated on 6 June 2014).