

REPORT ON THE FUNCTIONING OF THE REMUNERATION POLICY IN 2019

In 2019 at BNP Paribas Bank Polska S.A. (hereinafter referred to as the "Bank") the basic internal regulation in the field of remuneration policy was the "Collective Labour Agreement for the Employees of Bank BGŻ BNP Paribas S.A." which entered into force on 1 February 2017.

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 pursues a rational, sustainable and controllable remuneration policy, ensuring its compliance with the strategy, acceptable risk level and standards and key values of the Bank. The remuneration policy reflects customer orientation of the Bank, 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 statutory and executive provisions.

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 established and awarded variable remuneration.

The basic principles in compliance with which the remuneration of the Members of the Supervisory Board is agreed, disbursed and monitored are specified in the Compensation Policy for Members of the Supervisory Board of BNP Paribas Bank Polska S.A.

The variable compensation for Management Board Members and executives who have a material impact on the Bank's risk profile:

Members of the Bank's Management Board and executives who have a material impact on the Bank's risk profile are covered by separate internal regulations of the Bank, such as:

- 1) *Compensation Policy for persons who have material impact on the risk profile of BNP Paribas Bank Polska S.A.,*
- 2) *Regulations of awarding and payment of variable remuneration components to members of the Management Board of BNP Paribas Bank Polska S.A.*
- 3) *Regulations of awarding and payment of the Variable Remuneration Components to Persons having material impact on the Bank's risk profile other than the Members of the Management Board of BNP Paribas Bank Polska S.A.*



The above mentioned regulations were developed in accordance with the recommendations formulated in Ordinance of the Minister of Economic Development and Finance of 6 March 2017 on the risk management system and the internal control system, remuneration policy and detailed conditions for estimation of internal capital by banks (Journal of Laws of 2017, item 637), guidelines regarding the correct remuneration policy referred to in Article 74(3) and 75(2) Directives of the European Parliament and of the Council 2013/36/EU, and in accordance with the disclosure rules referred to in Article 450 of Regulations (EU) No 575/2013.

In March 2019, the Bank settled and paid the variable remuneration for members of the Management Board and other executives who have a material impact on the Bank's risk profile. In March 2019, the non-deferred cash part of variable remuneration for 2018 and the deferred part for the years 2015, 2016 and 2017 were paid. In 2019, variable remuneration (the deferred part for the years 2015, 2016 and 2017) awarded in the form of phantom shares whose value was established on the basis of the average value of share prices of BNP Paribas Bank Polska S.A. in 2018, was also paid. Thus, the entire 2015 bonus for the persons in positions having material impact on the risk profile of the Bank was settled. List of employees, whose professional activity has significant impact on the Bank's risk profile is prepared taking into account the requirements of Ordinance of the Minister of Economic Development and Finance of 6 March 2017 on the risk management system and the internal control system, remuneration policy and detailed conditions for estimation of internal capital by banks and 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, of 6 June 2014).

Amended

By means of the decision of the Supervisory Board of 12 September 2019, the Regulation of awarding and payment of variable remuneration components to members of the Management Board of BNP Paribas Bank Polska S.A. and the decision of the Management Board of 18 December 2019, the Regulation of awarding and payment of variable remuneration components to persons having material impact on the risk profile other than members of the management board of BNP Paribas Bank Polska S.A. were amended. The amendment involved increasing the minimum threshold valid at the Bank, above which variable remuneration is subject to deferral principles and allocation in the form of a financial instrument, from PLN 50,000 to PLN 150,000. Implementation of these amendments was preceded by an analysis of market solutions with regard to the application of the principle of proportionality, conducted together with EY.

An amendment to the Compensation Policy for persons who have material impact on the risk profile of BNP Paribas Bank Polska S.A. was introduced by means of the Decision of the Supervisory Board of 12 December 2019, under which variable remuneration awarded after 1 January 2020 in the form of a financial instrument will be awarded in the form of the Bank's shares, thus replacing the existing form,



namely phantom shares.

It should be highlighted that the Policy valid before the amendment will apply to variable remunerations paid for 2019, unless the Bank's share capital conditional increase made in order to implement the Motivation programme for Persons in positions with material impact on the Bank's risk profile is entered into the register of entrepreneurs before 31 December 2020.

The Policy in the existing wording of 1 January 2017 shall apply to Persons in positions with material impact on the Bank's risk profile whose employment relationship ceased in 2019, unless the above mentioned persons conclude an agreement with the Bank on applying the new wording of the Policy to them.

The purpose of the above changes (increasing the limit and changing the financial instrument) was to implement market solutions regarding remuneration for key employees of the Bank (Regulation MRT). The new solutions are to contribute to increased motivation and job satisfaction of key employees and boost the Bank's competitiveness on the market.