

**REPORT OF THE REMUNERATION POLICY OPERATION IN BNP PARIBAS BANK POLSKA S.A.
IN 2023**

In 2023, the key internal remuneration regulation at BNP Paribas Bank Polska S.A. (hereinafter referred to as the "Bank") was the Company Collective Agreement for Employees of the Bank, which took effect on 1 February 2017 and was updated by Additional Protocol No. 1 signed on June 24, 2021, which entered into force on 1 September 2021.

In accordance with the provisions of the Collective Labour Agreement, the Bank's employees are entitled to fixed remuneration consisting of base salary, salary supplements for the period of performing duties, and other supplements. Employees are also entitled to variable remuneration, i.e., bonuses, discretionary awards, prizes from competitions, and other variable components, which in justified cases may be granted on a one-off basis to Employees with high potential, significant from the point of view of the Bank's operation

In 2023, the Remuneration Policy for Employees of BNP Paribas Bank Polska S.A., approved by Resolution of the Supervisory Board 95/2021 of 29 September 2021, which was amended on May 9, 2023, by Resolution of the Supervisory Board 37/2023 of 9 May, 2023 (hereinafter referred to as the "Policy")

As required by the Policy, the Bank pursues a rational, balanced and controlled remuneration policy, ensuring its consistence with the strategy, accepted risk level, and the Bank's standards and key values. 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. The Policy also sets the maximum ratio of the average total annual gross remuneration of Members of the Management Board to the average total annual gross remuneration of the other employees. It complies with the applicable statutory and implementing legislation.

In 2023, BNP Paribas Bank Polska S.A. also had regulations related to the remuneration of Members of the Supervisory Board, Members of the Management Board, and other positions having a material impact on the risk profile of BNP Paribas Bank Polska S.A.:

- 1) Remuneration Policy for Members of the Management Board of BNP Paribas Bank Polska S.A.; updated in 2021 by Resolution 9 of the Extraordinary General Meeting of 19 June 2021.
- 2) Remuneration Policy for Persons Having a Material Impact on the Risk Profile of BNP Paribas Bank Polska S.A., which was updated by Resolution of the Supervisory Board 38/2023 of 9 May 2023.

Remuneration of Members of the Supervisory Board, Members of the Management Board, and employees in managerial positions, having a material impact on the Bank's risk profile:



In 2023, BNP Paribas Bank Polska S.A. had the following regulations related to the remuneration of Members of the Supervisory Board, Members of the Management Board, and other positions having a material impact on the risk profile of BNP Paribas Bank Polska S.A.:

- 1) *Remuneration Policy for Members of the Bank's Supervisory Board*, which was updated by Resolution 9 of the Extraordinary General Meeting of 19 June 2021.
- 2) *Remuneration Policy for Persons Having a Material Impact on the Risk Profile of BNP Paribas Bank Polska S.A.*, which was updated by Resolution of the Supervisory Board 38/2023 of 9 May 2023.
- 3) *Regulations on the Allocation and Payment of Variable Remuneration Components to Members of the Management Board of BNP Paribas Bank Polska S.A.*, which was updated by Resolution of the Supervisory Board 121/2021 of 9 December 2021.
- 4) *Regulations on the Allocation and Payment of Variable Remuneration Components to People Having a Material Impact on the Risk Profile, Other than Members of the Management Board of BNP Paribas Bank Polska S.A.*, which was updated by Resolution of the Management Board 60/BZ/56/2021 of 20 October 2021.

The above-mentioned regulations were developed in accordance with the recommendations of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the Risk Management and Internal Control Systems, and Remuneration Policy in Banks, the guidelines of Directive (EU) 2019/878 of the European **Parliament** and of the Council of 20 May 2019 *amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures*.

The remuneration of Members of the Supervisory Board is set in line with the function performed, and also in line with the scale of operations, complexity of the organisational structure, and complexity of the Bank's operations, and its amount is set by the General Meeting of the Bank, however a Member of the Supervisory Board who is at the same time employed with any BNP Paribas Group entity is not entitled to any remuneration for performing the function of a Member of the Bank's Supervisory Board. Members of the Supervisory Board are entitled to fixed remuneration only.

As required by the Policy in place, the remuneration paid to Members of the Management Board and to persons in managerial positions having a material impact on the Bank's risk profile is adequate, i.e., it reflects their contribution to the achievement of the Bank's objectives, the workload and the best market practice for rewarding people in similar positions, adopted in the Polish market, and also reflects an appropriate ratio of fixed remuneration to variable remuneration, and is paid in a manner which does not discriminate against any category of the Bank's employees, while retaining the right to equal pay for equal work.

Fixed remuneration is paid to Members of the Management Board and to persons in managerial positions having a material impact on the Bank's risk profile at the intervals and in the amount specified



in the employment contract, as well as in the regulations, policies and other internal documents of the Bank. Fixed remuneration must be paid unless there are special circumstances provided for in the relevant contract, an internal document of the Bank or generally applicable laws.

Members of the Management Board and persons in managerial positions having a material impact on the Bank's risk profile may become eligible for variable remuneration, which is allocated independently of fixed remuneration in a transparent manner, adapted to the risk profile and ensuring that the objectives of the Policy are effectively achieved.

Variable remuneration comprises a deferred part and a non-deferred part. At least 50% of the deferred part and non-deferred part of variable remuneration consists of a financial instrument in the form of shares, while the remaining part of the deferred part and non-deferred part of variable remuneration is granted in cash.

In March 2023, the Bank accounted for and paid variable remuneration to Members of the Management Board and other employees in managerial positions having a material impact on the Bank's risk profile. In March 2023, the cash portion of non-deferred variable remuneration for 2022 and the deferred cash parts for the years 2019, 2020 and 2021 were paid. Moreover, in 2023 Members of the Management Board and other employees in managerial positions having a material impact on the Bank's risk profile acquired the right to subsequent tranches of deferred variable remuneration in the form of a financial instrument, which is subject to an annual retention period, i.e. the non-deferred part of the variable remuneration for 2022 awarded in the form of financial instruments, which are the Bank's shares, as well as deferred parts for the years 2019, 2020 and 2021 awarded in the form of financial instruments, which are the Bank's shares.

A list of employees whose activities have a material impact on the Bank's risk profile is drawn up taking into account the requirements of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the Risk Management and Internal Control Systems, and Remuneration Policy in Banks, and Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive

Incentive Program - payment of variable remuneration components

On 27 June 2022, the Ordinary General Meeting of the Bank adopted a resolution on the continuation of an Incentive Programme for persons having a material impact on the Bank's risk profile (Material Risk Takers, MRTs). Incentive Programme the rules of payment of the variable remuneration



components programme is intended for persons in managerial positions having a material impact on the Bank's risk profile. The amount of variable remuneration is based on the appraisal of performance of those covered by the programme. Under the programme, variable remuneration is divided into a deferred and non-deferred part, and a part awarded in the form of a financial instrument, which is the Bank's shares (accounted for in accordance with IFRS 2) and the remaining part awarded in cash (accounted for in accordance with IAS 19, Employee Benefits).

On 9 May 2023, the Supervisory Board of BNP Paribas Bank Polska S.A. adopted a resolution to approve an updated Remuneration Policy for Persons Having a Material Impact on the Risk Profile of BNP Paribas Bank Polska S.A. The updated Remuneration Policy clearly specifies the responsibility of subsidiaries in adapting their regulations to the Remuneration Policy in force at the Bank.

The right to variable remuneration in the form of the Bank's shares is granted by awarding warrants in the number corresponding to the number of shares granted, one warrant entitling you to acquire one share. Variable remuneration in the form of the Bank's shares is paid, i.e., the Bank's shares are acquired by way of exercising warrants, after the lapse of the retention period. The Deferral Period is a minimum of five years for Senior Executives and a minimum of four years and a maximum of five years for employees other than Senior Executives. The maximum deferral period of five years is applied in the case of an allocation of Variable Remuneration which exceeds a particularly high amount. The deferred part of variable remuneration is divided into equal parts, corresponding to the number of years of the deferral period. The part of the programme which is payable in cash is recognised using the projected unit credit method and accounted for over the vesting period (i.e., both in the appraisal period understood as the year of service for which the employees receive the benefit and in the deferral period of the relevant parts of this benefit). The value of the benefit is recognised as a liability to employees, with a corresponding amount recognised in the income statement.

The amount of variable remuneration for employees identified as MRTs and its analysis into the deferred and non-deferred part are established in accordance with the Remuneration Policy in place at the Bank and the regulations adopted on its basis. The regulations include information on the levels of the annual bonus assigned to individual appraisals:

1. a part representing not less than 50% is allocated in the form of the Bank's shares (which will be acquired by exercising warrants);
2. a part of variable remuneration representing not less than 40% of the remuneration is deferred. The Deferral Period is a minimum of five years for Senior Executives and a minimum of four years and a maximum of five years for employees other than Senior Executives. The maximum deferral period of five years is applied in the case of an allocation of Variable Remuneration which exceeds a particularly high amount.

In order to ensure uniform and legal terms and conditions for the acquisition of the right to remuneration and payment thereof to persons having a material impact on the Bank's risk profile, remuneration is



paid taking into account the principles of adequacy, proportionality, and non-discrimination.

The rules in place at the Bank make it possible to suspend or limit the payment of variable remuneration if the Bank does not meet the combined buffer requirement:

1. It is forbidden to make payments of allocated variable remuneration exceeding the maximum distributable amount (MDA) if the Bank does not meet the combined buffer requirement within the meaning of and in accordance with Articles 55 and 56 of the Macroprudential Supervision Act.
2. If the Bank does not meet the combined buffer requirement, then, before the MDA calculation, the Bank:
 - shall not assume any obligation to pay variable remuneration or discretionary pension benefits;
 - shall not make payments of variable remuneration if the obligation to pay them arose in the period in which the Bank did not meet the combined buffer requirement.

In the event of termination of the legal relationship between the Bank and a person having a material impact on the Bank's risk profile or if the position is excluded from the list, the remuneration is paid subject to meeting the requirements specified in the Remuneration Policy for Persons Having a Material Impact on the Risk Profile of BNP Paribas Bank Polska S.A.

A person is eligible for variable remuneration provided that they have not been charged with any wrongdoing and are not subject to criminal or disciplinary sanctions.

Review summary

The Supervisory Board, including the Remuneration Committee in the reporting period, included people with extensive knowledge of economics, banking, human resources management, management and finance. Additionally, Committee members have practical knowledge, skills and experience acquired while holding managerial positions in international economic institutions. The Supervisory Board assesses that the qualifications of the members of the Remuneration Committee ensure the proper performance of the tasks of the Supervisory Board in terms of effective supervision of the Bank's remuneration policy resulting from the applicable regulations.

The Supervisory Board actively supervised the implementation and application by the Management Board in 2023 of the remuneration principles at the Bank resulting from the established remuneration policy, both in terms of supervision over the proper assessment of compliance with the conditions justifying the granting and payment of variable remuneration components for 2023 to persons having a significant impact on the risk profile Bank (MRT), as well as determining the remuneration of Management Board members, including the President of the Management Board in 2023.



Moreover, the Supervisory Board carried out an annual assessment of the impact of the Bank's remuneration policy on the Bank's management method, determining that the adopted remuneration policy properly supports the implementation of the business strategy and does not have a negative impact on the prudent management of the Bank.

The Supervisory Board assesses that the applicable BNP Paribas Bank Polska S.A. internal regulations regarding employee remuneration principles guarantee a rational, sustainable and controllable remuneration policy and are consistent with the strategy, values and risk appetite of BNP Paribas Bank Polska S.A., and support the long-term interests of the Bank and its clients. Regulations regarding remuneration principles are consistent with the relevant laws and regulations, in particular the Banking Law Act, the Regulation of the Minister of Finance, Funds and Regional Policy of June 8, 2021 on the risk management system and internal control system and remuneration policy in banks, as well as Directive (EU) 2019/878 of the European Parliament and of the Council of May 20, 2019. The Supervisory Board therefore assesses that the regulations regarding remuneration principles applicable in the bank are appropriate and support the implementation of the Bank's management strategy.