



A statement on the Bank's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016

corporate governance report 1/2016

date: 26 January 2016

Pursuant to §29 item 3 of Warsaw Stock Exchange Regulations the Management Board of Bank BGŻ BNP Paribas S.A., hereby announces the report on non-compliance to *Code of Best Practice for WSE Listed Companies 2016* ('Best Practice 2016').

According to the current status of compliance with the Best Practice 2016, the Bank does NOT APPLY Recommendation IV.R.2. and detailed principles I.Z.1.16., I.Z.1.20., IV.Z.2. and (partially) V.Z.5. Additionally principles I.Z.1.10., III.Z.6. and recommendation - IV.R.3. are „NOT APPLICABLE”.

Disclosure Policy, Investor Communications

I.R.2. Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.

The principle is applied with commentary.

Comments of the Company: The relevant information on policy of sponsorship and charity will be included in the annual activity report for 2015.

[I.Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: (...)]

I.Z.1.10. financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

The principle not applicable.

Comments of the Company: the Bank does not publish financial projections.

I.Z.1.15. information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

The principle is applied with commentary.

Comments of the Company: The Bank applies "The Policy on Suitability Assessment of the Management Board and Supervisory Board Members and Key Function Holders in Bank BGŻ BNP Paribas S.A.," which however does not cover the age and gender criteria. In Q1 2016, it is planned to adapt locally the diversity policy of the BNP Paribas group.

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

The principle is not applied.

Comments of the Company: Neither the Bank's Statute nor the GM Rules of Procedure currently provide shareholders with such advantages. Low free float of 5% and no interest from the investors justify the non-compliance in this respect.

I.Z.1.17. justification of draft resolutions of the general meeting concerning issues and determinations which are relevant to or may give rise to doubts of shareholders, within a timeframe enabling participants of the general meeting to review them and pass the resolution with adequate understanding;

The principle is applied with commentary.

Comments of the Company: Justifications of draft resolutions for the general meetings, apart from those required directly under the Code of Commercial Partnerships and Companies, were not published until now. The Bank intends to apply the above-mentioned principle starting from the next general meeting.

I.Z.1.20. an audio or video recording of a general meeting;

The principle is not applied.

Comments of the Company: Comment as in I.Z.1.16. Additionally, providing a real-time broadcast and an audio or video recording of a general meeting requires technical means, which generate additional costs of organizing general meeting.

Management Board, Supervisory Board

[II.Z.10. In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following (...)]:

II.Z.10.2. a report on the activity of the supervisory board containing at least the following information:

- full names of the members of the supervisory board and its committees;
- supervisory board members' fulfillment of the independence criteria;
- number of meetings of the supervisory board and its committees in the reporting period;
- self-assessment of the supervisory board;

The principle is applied with commentary.

Comments of the Company: The report on the activity of the supervisory board which is to contain the said scope of information will be first presented to the ordinary general meeting for year 2015.

II.Z.10.3. an assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities;

The principle is applied with commentary.

Comments of the Company: The first assessment will be presented to the ordinary general meeting for year 2015.

II.Z.10.4. an assessment of the rationality of the company's policy referred to in recommendation I.R.2. or information about the absence of such policy.

The principle is applied with commentary.

Comments of the Company: The first assessment will be presented to the ordinary general meeting for year 2015.

Internal Systems and Functions

III.Z.6. Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

The principle is not applicable.

Comments of the Company: There is a department of internal audit and an audit committee for supervisory board established in the organizational structure of the Bank.

General Meeting, Shareholder Relations

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting;**
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;**
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.**

The principle is not applied.

Comments of the Company: Neither the Bank's Statute nor the GM Rules of Procedure currently provide shareholders with such advantages. Low free float of 5% and no interest from the investors justify the non-compliance in this respect.

IV.R.3. Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

The principle not applicable.

Comments of the Company: All securities issued by the Bank are listed only in Poland on the WSE.

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The principle is not applied.

Comments of the Company: Neither the Bank's Statute nor the GM Rules of Procedure currently provide shareholders with such advantages. Low free float of 5% and no interest from the investors justify the non-compliance in this respect.

Conflict of Interest, Related Party Transactions

V.Z.5. Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.

The principle is applied with commentary.

Comments of the Company: The principle is applied partially, i.e. to the extent governed by Article 20 para. 1 item 1) section k) of the Bank's Articles of Association, under which consent of the supervisory board is required whenever transactions with the Bank's related entities may not be classified jointly as typical transactions concluded on market conditions as part of the Bank's current activities. A rule as such, pertaining to significant agreements with a shareholder holding at least 5% of the total votes [at the company's general meeting] or an affiliated entity, is not applied in the Bank.

Remuneration

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;**
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;**
- 3) information about non-financial remuneration components due to each management board member and key manager;**
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;**
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.**

The principle is applied with commentary.

Comments of the Company: It is planned to include in the report on the activity for 2015 the required information together with an assessment of the Company's remuneration policy.

Legal basis:

§29 item 3 of Warsaw Stock Exchange Regulations