

**REPORT ON THE FUNCTIONING OF THE REMUNERATION POLICY IN 2018**

In 2018 at Bank BGŻ BNP Paribas S.A. (hereinafter referred to as the "Bank") the basic internal regulation in the field of remuneration policy was the "Collective Labor Agreement for Employees of Bank BGŻ BNP Paribas S.A." which entered into force on February 1, 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 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 internal remuneration regulations in the Bank:

- *Remuneration Policy for persons having material impact on the risk profile of BGŻ BNP Paribas S.A.,*
- *Regulation of allocation and payment of variable remuneration components to members of the Management Board of Bank BGŻ BNP Paribas S.A.,*
- *Regulation of allocation and payment of variable remuneration components to persons having material impact on the risk profile other than members of the Management Board of Bank BGŻ BNP Paribas S.A.*

The above mentioned internal regulations of the Bank were adopted by the Bank's Management Board on December 21st 2017 and approved by the Supervisory Board on December 27th 2017.

The above mentioned Regulations were developed in accordance with the recommendations formulated in Regulation 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 art. 74 par. 3 and 75 par. 2 Directives of the European Parliament and of the Council 2013/36 / EU, and in accordance with the disclosure rules in art. 450 Regulations (EU) No 575/2013. The above mentioned internal regulations of the Bank were adopted by the Bank's Management Board on 21st December 2017 and approved by the Supervisory Board on 27th December 2017.

In March 2018, the Bank settled and paid the variable remuneration for members of the Management Board and other employees identified as Risk Takers. In March 2018, a cash part of the non-deferred variable remuneration for 2017 and the cash part of the deferred variable remuneration for the years 2014, 2015 and 2016 were paid. In September 2018, variable remuneration (the deferred part for the years 2014, 2015 and 2016) awarded in the form of phantom shares were paid, the value of phantom dependent on the average value of share prices of Bank BGŻ BNP Paribas in 2017. Thus, the entire 2014 bonus for the persons having material impact on the risk profile of the Bank was settled.

List of employees, whose professional activity has significant impact on Bank risk profile is prepared taking into account requirements of Regulation 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 dated on 6 June 2014).