



## REPORT ON THE ASSESSMENT OF FUNCTIONING OF THE REMUNERATION POLICY IN 2020

In 2020 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", 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.

In 2020, the Bank worked on the development of the Remuneration Policy for BNP Paribas Bank Polska S.A. Employees. The Policy was approved by the Supervisory Board on December 10, 2020. The policy will come into force after registration of the Collective Labor Agreement, work on its updating is ongoing.

The 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 Remuneration Policy for Members of the Supervisory Board of Bank BNP Paribas S.A.

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

The Supervisory Board Members, 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) *Remuneration Policy for the Supervisory Board Members.*
- 2) *Remuneration Policy for persons having material impact on the risk profile of BNP Paribas Bank Polska S.A.,*
- 3) *Regulations of awarding and payment of variable remuneration components to members of the*



*Management Board of BNP Paribas Bank Polska S.A.*

- 4) *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.

Remuneration of the Supervisory Board members is determined adequately to the function held and also to the scale of activity, complexity of the organisational structure and degree of complexity of the Bank's business activity and its amount is determined by the General Shareholders Meeting, providing that . Supervisory Board member who is simultaneously employed in any entity of the BNP Paribas Group SA, is not entitled to remuneration for performing the function of a Member of the Bank's Supervisory Board.

In line with the Policy remuneration paid to the Management Board Members and other persons having material impact on the Bank's Risk Profile shall be adequate, i.e. shall reflect their contribution in achieving the Bank's targets, amount of labour and best market practice with respect to rewarding persons in similar positions adopted on the Polish market, and shall ensure proper balance between fixed remuneration and variable remuneration and shall be paid in a way non-discriminating any category of the Bank's employees, while retaining the right to equal remuneration for equal work.

Fixed remuneration shall be paid to the Management Board Members and other persons having material impact on the Bank's Risk Profile with frequency and in the amount set in the employment contract and in the rules, policies and other internal documents of the Bank. Payment of fixed Remuneration shall be obligatory, unless special circumstances occur, as provided for in the relevant agreement, internal document of the Bank or generally applicable legal regulations.

Management Board Members and other persons having material impact on the Bank's Risk Profile can acquire the right to variable remuneration independently of fixed remuneration in a transparent way, adjusted to the Risk Profile and ensuring effective achievement of objectives of the Policy.

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 shall be made up of a financial instrument in the form of Shares, while the remaining part of the deferred part and non-deferred part of variable remuneration shall be granted in cash

In March 2020, 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 2020, the non-deferred cash part of variable remuneration for 2019 and the deferred part for the years 2016, 2017 and 2018 were paid. Additionally, in 2020, variable remuneration (the deferred part for the years 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 2016 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).

Employees whose activities have a significant impact on the Bank's risk profile are persons performing key functions within the meaning of § 28 para. 1 of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority July 22, 2014 Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority July 22, 2014.

#### **Compensation resulting from the variable remuneration components programme**

On 31 January 2020, the Extraordinary Shareholders Meeting of the Bank adopted a resolution on the implementation of an Incentive Programme for persons having material impact on the Bank's risk profile (MRT). The variable remuneration components programme is targeted at management staff having material impact on the Bank's risk profile. The variable remuneration is based on performance assessment of persons covered in the programme. According to the programme, the variable remuneration is divided into a deferred and a non-deferred part and a part awarded in the form of a financial instrument, which is the Bank's shares (settled in compliance with the IFRS 2) and the remaining part awarded in cash (settled in compliance with IAC 19, "Employee Benefits").

The right to the variable remuneration in the form of the Bank's shares is granted by giving subscription warrants in the number corresponding to the number of shares granted, one warrant entitled to acquire one share. The variable remuneration in the form of the Bank's shares is paid, i.e., the Bank's shares are acquired by way of exercising rights from subscription warrants, after the lapse of the retention period. Deferral period is at least three years. In the case the variable remuneration is allocated in the amount higher than the amount recognized as particularly high, the deferral period amounts maximum five years. The deferred part of variable remuneration is divided into equal parts, according to the



number of years of the deferral period. The part of the programme payable in cash is reported in accordance with the forecast unit authorizations method and is settled over time in the vesting period (i.e. both in the assessment period understood as the year of work for which the employees receive compensation and in the deferral period of the relevant parts of this compensation). The value of the compensation is reported as a receivable towards the employees corresponding to the profit and loss account.

The amount and division into a deferred and non-deferred part of the variable remuneration for employees identified as MRT is set according to the Remuneration Policy binding at the Bank and the regulations adopted on its basis. The Regulations include information on the levels of the annual bonus assigned to individual assessments:

1. a part representing no less than 50% is allocated in the form of the Bank's shares (which will be acquired by exercising subscription warrants);
2. a part of the variable remuneration representing no less than 40% of the remuneration shall be deferred. Deferral period is at least three years. In the case the variable remuneration is allocated in the amount higher than the amount recognized as particularly high, the deferral period amounts maximum five years. The deferred part of variable remuneration is divided into equal parts, according to the number of years of the deferral period.

In order to ensure uniform and legal terms and conditions for the acquisition of the right to remuneration and payment thereof to persons having material impact on the Bank's risk profile, the remuneration is paid pursuant to the principles of adequacy, proportionality and non-discrimination.

The principles binding at the Bank allow for the option 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 the payments of allocated variable remuneration exceeding the maximum distributable amount (MDA) in case the Bank does not meet the combined buffer requirement within the meaning and in accordance with article 55 and 56 Macroprudential Supervision Act.
2. In case of 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 was created in the period in which the Bank failed to meet the combined buffer requirement.

In the event of cessation of the legal relationship between the Bank and a particular Person having material impact on the Bank's Risk Profile or if the position is excluded from the list, the remuneration



is paid subject to meeting requirements listed in the Remuneration Policy for persons having material impact on the risk profile of BNP Paribas Bank Polska S.A.,

A person is entitled to the variable compensation provided that they are not charged with any wrongdoing and are not subject to criminal or disciplinary sanctions.

The “Remuneration Policy for persons having material impact on the risk profile of BNP Paribas Bank Polska S.A.” binding at the Bank guarantees there is a rational, balanced and controllable remuneration policy, compliant with the accepted risk level, with the BNP Paribas S.A. standards and values and with the relevant statutory and executive provisions, in particular the Regulation of the Minister of Development and Finance on on risk management and internal control systems, remuneration policy and detailed method of internal capital estimation in banks of 6 March 2017 and recommendations included in the CRD4 Directive.