

REPORT ON ACTIVITIES OF THE SUPERVISORY BOARD IN 2019

TOGETHER WITH THE ASSESSMENTS INDICATED IN RULE II.Z.10
OF THE 2016 CORPORATE GOVERNANCE OF LISTED COMPANIES
AND ASSESSMENT OF THE BANK'S COMPLIANCE WITH THE
PRINCIPLES OF CORPORATE GOVERNANCE FOR THE
SUPERVISED INSTITUTIONS OF 22 JULY 2014 ISSUED BY THE
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BNP PARIBAS

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1. COMPOSITION OF THE SUPERVISORY BOARD IN 2019

The composition of the Bank's Supervisory Board as at 1 January 2019 was as follows:

Name and surname	Function held in the Supervisory Board of the Bank
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman, Independent Member of the Supervisory Board
Jean-Paul Sabet	Deputy Chairman of the Supervisory Board
Francois Benaroya	Member of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Jacques d'Estais	Member of the Supervisory Board
Michel Falvert	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Stéphane Vermeire	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

Changes in the composition of the Bank's Supervisory Board between 1 January 2019 and 31 December 2019:

- On 27 June 2019, the Ordinary General Meeting of the Bank appointed Ms Magdalena Dziewguć to the Bank's Supervisory Board (independent member) until the end of the current five-year joint term of office of the Members of the Supervisory Board.
- On 8 November 2019 Mr Jacques d'Estais stepped down as the member of the Supervisory Board of the Bank effective 8 November 2019.
- On 15 November 2019, the Extraordinary General Meeting of the Bank appointed Ms Sofia Merlo to the Bank's Supervisory Board until the end of the current five-year joint term of office of the Members of the Supervisory Board.

The composition of the Supervisory Board of the Bank as at 31 December 2019 was as follows::

Name and surname	Function held in the Supervisory Board of the Bank
Józef Wancer	Chairman of the Supervisory Board
Jarosław Bauc	Vice-Chairman, Independent Member of the Supervisory Board
Jean-Paul Sabet	Deputy Chairman of the Supervisory Board
Francois Benaroya	Member of the Supervisory Board
Stefaan Decraene	Member of the Supervisory Board
Magdalena Dziewguć	Independent Member of the Supervisory Board
Michel Falvert	Member of the Supervisory Board

Sofia Merlo	Member of the Supervisory Board
Piotr Mietkowski	Member of the Supervisory Board
Monika Nachyła	Member of the Supervisory Board
Stéphane Vermeire	Member of the Supervisory Board
Mariusz Warych	Independent Member of the Supervisory Board

2. INDEPENDENCE OF THE SUPERVISORY BOARD MEMBERS

There are three independent members of the Supervisory Board:

Name and surname	
Jarosław Bauc	Deputy Chairman of the Supervisory Board
Mariusz Warych	Member of the Supervisory Board
Magdalena Dziewguć	Member of the Supervisory Board

According to the Articles of Association, at least two members should be independent. Ms Magdalena Dziewguć, Mr Jarosław Bauc and Mr Mariusz Warych meet statutory requirements concerning independent members of the Supervisory Board, including:

- they do not hold and have not held, for the last five years, the function of a member of the Management Board or another managerial function, regardless of the legal form of employment, whether in the Bank, its subsidiaries or parent entity;
- they are not and have not been employed in the Bank, its subsidiaries or parent entity, or in associated entities of the Bank, within the last three years;
- they have not received any additional remuneration apart from the compensation due for the membership in the Supervisory Board, or any other financial benefits from the Bank, its subsidiaries or parent entity, with the exception of benefits due to the Supervisory Board member as a consumer who has entered into an agreement on standard terms with the Bank, its subsidiary or parent entity;
- they have not been shareholders or members of the management, managerial personnel or employees of the shareholder holding shares representing more than 5% of the total number of votes at the General Meeting of the Bank, nor have been members of the management, managerial personnel or employees of the shareholder of the Bank holding such number of shares which allows for effective control over the Bank;
- they have not had, during the year preceding the election for the Supervisory Board and does not currently have, any material commercial or business connections with the Bank, its subsidiaries and parent entity which could significantly affect their independence;
- they are not and have not been for the last three years statutory auditors or employees, members of the management, managerial personnel or shareholders of an entity providing statutory auditor's services to the Bank, its subsidiaries or parent entity;
- they are not members of a management board in another company in which a member of the Bank's Management Board is a member of the supervisory board;
- they do not have any material connections with members of the Bank's Management Board manifested in the joint shareholding in other companies or governing bodies of those companies;
- they are not and have not been, for the last three years, a spouse, partner or a relative of a member of the Bank's Management Board, or an employee holding a position in the Bank which is directly subordinated to the Bank's Management Board or a member of the Bank's Management Board.
- The respective Members of the Supervisory Board meet the independence criteria stipulated in Article 129 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2019, 1421, consolidated text, as amended).

3. ACTIVITIES OF THE SUPERVISORY BOARD IN 2019

The Supervisory Board of the Bank has permanently supervised the Bank's business activity in all its areas.

In 2019, five meetings of the Supervisory Board were held. Furthermore, the Supervisory Board passed resolutions in writing. The Supervisory Board adopted a total of 87 resolutions in 2019, namely on the following issues:

- passed resolution on the approval of the "Policy on the assessment of suitability of members of the Supervisory Board, members of the Management Board and key function holders at BNP Paribas Bank Polska S.A."
- passed resolution on the adoption of the annual report on the assessment of the functioning of the remuneration Policy in 2018 in BNP Paribas Bank Polska S.A.
- passed resolution on approval of the Remuneration Policy for persons having material impact on the risk profile of BNP Paribas Bank Polska S.A. and Regulations of allocation and payment of variable remuneration components to members of the Management Board of BNP Paribas Bank Polska S.A.
- passed resolution on the approval of the amount of variable remuneration for Compliance Line Managing Director and Internal Audit Line Managing Director for 2018.
- assessed and provided the Ordinary General Meeting with a written report on the results of the assessment of the Bank's financial statements, including the Brokerage House, the Management Board's report on the activity of the Bank, including the Brokerage House, consolidated financial statements of the Bank's Capital Group and the Management Board's Report on the activity of the Bank's Capital Group for 2018; the Supervisory Board also carried out the assessment of the Management Board's conclusions on the distribution of profit for 2018 along with assessment of adequacy and effectiveness of the Bank's internal control system, and recommended that the Ordinary General Meeting should approve the discharge of duties performed by the Bank's Management Board Members in 2018.
- discussed the Bank's interim financial statements and results of each business line.
- passed resolution on the position concerning allocation of BNP Paribas Bank Polska S.A. net profit for year 2018.
- passed resolution on approval of "Capital Contingency Plan of BNP Paribas Bank Polska S.A."
- passed resolution on the approval of "BNP Paribas Bank Polska SA Capital Management Policy".
- passed resolution regarding the appointment of a certified auditor to review and audit the financial statements of BNP Paribas Bank Polska S.A. (standalone financial statements of the Bank and consolidated financial statements of the Capital Group) for the years 2020-2021.
- passed resolution on the approval of "Policy on internal capital adequacy assessment process in BNP Paribas Bank Polska S.A."
- discussed and passed resolution on adoption of the 2020 financial plan and financial assumptions for the years 2021-2022.
- passed resolution on the approval of the updated Recovery Plan.
- passed resolution on the approval of the updated "Internal Capital Adequacy Assessment Process (ICAAP) Methodology at BNP Paribas Bank Polska S.A."
- passed resolution on the acceptance of "Strategy for Operational Risk Management in BNP Paribas Bank Polska S.A."
- passed resolution on the approval of the categorization of irregularities identified in the internal control system and criteria of assessment the adequacy and effectiveness of the internal control system in BNP Paribas Bank Polska S.A.
- on the approval of the "BNP Paribas Bank Polska S.A. Risk Appetite".
- on the acceptance of "Risk Management Strategy at BNP Paribas Bank Polska S.A."
- passed resolution on the approval of the Yearly Internal Audit Plan for 2019 and Strategic Audit Plan.
- passed resolution on the approval of the Internal Audit Charter of BNP Paribas Bank Polska S.A.
- adopted resolution on the approval of "Compliance Policy in BNP Paribas Bank Polska S.A." and "Regulations for the operation of the Compliance Line".
- passed resolution on adoption of the consolidated text of the Articles of Association of BNP Paribas Bank Polska S.A.
- approved the appraisal of rationality of the Sponsorship, Philanthropic and CSR Activities of BNP Paribas Bank Polska S.A. for 2018.
- passed resolution on the adoption of the By-Laws of the Supervisory Board of BNP Paribas Bank Polska Spółka Akcyjna.
- passed resolution on the adoption of the Nomination Committee Regulations of BNP Paribas Bank Polska S.A.
- passed resolution on the adoption of the Audit Committee Regulations of BNP Paribas Bank Polska S.A.
- adopted resolution on amendment of certain internal regulations of the Bank with respect to the change of the business name of the Bank.
- passed resolution on the approval of conclusion of an agreement of sale and transfer of the organized part of the enterprise dedicated to conduct the factoring activity, to BGŻ BNP Paribas Faktoring Sp. z o.o. in Warsaw

- adopted resolution on capital increase of TFI BGŻ BNP Paribas S.A.
- passed resolution on sale of 26,221,520 shares of PBG S.A.
- adopted resolution on confirmation of rules of debt-to-equity swap as part of the Action S.A. in restructuring arrangement proposals.
- adopted resolution on passing an opinion on the draft Agenda proposed for the Ordinary General Meeting of BNP Paribas Bank Polska S.A. planned to be held on 27 June 2019 and for the Extraordinary General Meeting of BNP Paribas Bank Polska S.A. planned to be held on 15 November 2019.
- approved periodic Reports on the implementation of the Bancassurance Policy in BNP Paribas Bank Polska S.A. and the principles of Accounting Policy in this area.
- acquainted itself with the topics discussed during the meetings of the Audit Committee, Risk Committee as well as Human Resources and Remuneration Committee and Nomination Committee.
- acquainted itself with the annual reports on activities of the Compliance Line and Internal Audit Line.

Furthermore, the Supervisory Board passed resolutions on changes in the Management Board, variable and fixed remuneration of the Management Board Members, adequacy assessment of a new Supervisory Board Member and Management Board Member, likewise on individual and collective periodical adequacy assessment of the Supervisory Board Members and of the Management Board Members, internal division of competence in the Management Board, verification of the level of target realisation by the Members of the Bank's Management Board in 2018 and approval of the individual KPIs for the Management Board Members to achieve in 2019.

The Supervisory Board was also informed about the most important events and decisions of the Management Board that occurred or were taken between meetings, as well as about the macroeconomic situation and activities of competitors, which equipped it with the appropriate knowledge about the market environment and the Bank's position in relation to other financial institutions. Current events were also discussed on an ongoing basis in the context of their possible impact on the Bank's development plans and achievement of the projected results. The Supervisory Board monitored the financial results and capital situation of the Bank. The great emphasis was placed on the level of the capital ratios of the Bank and measures aimed at maintaining the capital ratios at the required level, taking into consideration new regulatory requirements.

4. COMMITTEES AT THE SUPERVISORY BOARD IN 2019

There are internal committees of advisory and consulting character operating at the Supervisory Board:

- Audit Committee,
- Risk Committee,
- Human Resources and Remuneration Committee
- Nomination Committee

4.1. Audit Committee

Number of meetings held: 6

In line with its competences, in 2019, the Audit Committee acquainted itself with, among others, financial reports of the Bank and the Bank's Capital Group for the year 2018, quarterly and half-year reports for 2019, likewise it reviewed and assessed the process of financial information communication. The Committee reviewed and monitored key areas in terms of significant control mechanisms, including mechanisms underpinning financial and operational control and ensuring compliance with regulatory requirements. Furthermore, the Audit Committee carried out activities that entailed monitoring of the effectiveness of the internal control system and risk management system as it analysed, among others, the Report on internal control mechanisms and procedures functioning in the Bank in 2018. gave its approval and recommendation to the Supervisory Board for adopting the updated Compliance Policy and the Regulations for the operation of the Compliance Line, reviewed the Annual report on the Compliance Line's activities as well as Quarterly reports on the Compliance Line's activities, including information on compliance risk; the Committee also approved the Report on performance of the compliance function in the Custody in 2018. The Committee examined and approved the Report on the Internal Audit Line activity for 2018 and Periodic Reports on Internal Audit Line activity, periodic information on recommendations under scrutiny and the execution of recommendations issued by the Polish Financial Supervision Authority (KNF). In addition, the Audit Committee reviewed and recommended adoption of the Audit Charter and Audit Strategy to the Supervisory Board; it also examined the Report on Brokerage House Audit and Compliance activities for 2018.

The Audit Committee also formulated *Principles of conduct within the framework of the process of disclosure and exchange of information between the KNF, the auditing firm, the key auditor, Compliance unit and other bank's unit responsible for control mechanisms within the scope of the internal control system at BNP Paribas Bank Polska S.A.* and evaluated the threats and safeguards of the independence of Deloitte Audyt Spółka z o. o. spółka komandytowa. It also approved the increase of scope of work concerning additional review of interim consolidated and standalone financial statements for the period of three months ending 31 March 2019 and for the period of 9 months ending 30 September 2019 by Bank's auditor Deloitte Audyt Spółka z o. o. Sp. k.

The Audit Committee approved the principles and process of selecting an audit firm to perform the statutory audit of financial statements of the Bank and the Capital Group of the Bank starting 2020 and acquainted itself with the Report on the procedure of selecting the audit firm, including the conclusions from the selection procedure and specifying the audit firm recommended to perform a statutory audit. Based on the Report, the Audit Committee recommended to the Supervisory Board the selection of Mazars Audyt Sp. z o.o. as the statutory auditor of BNP Paribas Bank Polska S.A.

In addition, the Audit Committee took note of the information on application of the Best Practice for GPW Listed Companies by the Bank and implementation of IFRS 16 and PSD2.

Composition of the Audit Committee in 2019

Mariusz Warych – Committee Chairman

Jarosław Bauc – Committee Member

Francois Benaroya – Committee Member

4.2. Risk Committee

Number of meetings held: 4

Performing its tasks in 2019, the Risk Committee familiarised itself and approved the following documents: Quarterly Credit and Operational Risk Dashboards, ALMT Risk Dashboard together with information on market risk, liquidity and counterparty risk, likewise capital requirements. The Committee also performed ILAAP review. The Committee reviewed the information on the model risk management efficiency and approved the model risk tolerance level for the Bank. It also accepted the NPL Strategy for the Bank and received information on operational risks stemming from the merger of BNP Paribas Bank Polska S.A. with the separated part of the Raiffeisen Bank Polska S.A. enterprise, likewise the information on the Bank's pricing policy.

The Risk Committee examined and recommended to the Supervisory Board passing the relevant resolutions on the Risk Management Strategy in BNP Paribas Bank Polska SA, Strategy for Operational Risk Management in BNP Paribas Bank Polska S.A., BNP Paribas Bank Polska S.A. Risk Appetite, Internal Capital Adequacy Assessment Process (ICAAP) Methodology and Report on the review of the Bank's internal capital adequacy assessment process (ICAAP).

Composition of the Risk Committee in 2019:

Francois Benaroya – Chairman of the Committee

Monika Nachyła – Member of the Committee

Mariusz Warych - Member of the Committee

4.3. Human Resources and Remuneration Committee

Number of meetings held: 4

When performing its tasks in 2019, the Human Resources and Remuneration Committee, among others, discussed the changes in the composition of the Management Board, verified the level of target realisation by the specific Management Board members and determined the base amount of variable remuneration for 2018 for the Members of the Management Board, acquainted itself with terms and conditions of remuneration of the Management Board members, discussed the remuneration rules and remuneration for new members of the Management Board, information on monitoring of variable remuneration at managerial positions in the risk and compliance functions in the Bank, reviewed and assessed the functioning of the Remuneration Policy at the Bank, performed the analysis of variable remuneration components of persons responsible for control functions at the Bank, i.e. managing the internal audit unit, compliance unit, organisational units in charge of second-level risk management, familiarised itself with issues regarding discretionary bonuses, achievement of targets by the Management Board members for the previous year and determination of targets for 2019, matters related to remuneration and Remuneration Policy for persons who have material impact on the risk profile of BNP Paribas Bank Polska

S.A. Furthermore, the Committee reviewed the Remuneration Policy and discussed the Procedure of identifying persons having material impact on the risk profile of BNP Paribas Bank Polska S.A. and Regulations of awarding and payment of variable remuneration components to members of the Management Board of BNP Paribas Bank Polska S.A.

Composition of the Human Resources and Remuneration Committee in 2019

Jean-Paul Sabet – Chairman of the Committee

Józef Wancer – Member of the Committee

Francois Benaroya – Member of the Committee

4.4. Nomination Committee

Number of meetings held: 4

In fulfilment of its responsibilities in 2019, the Nomination Committee assisted the Supervisory Board in performance of its duties as regards assessment of qualifications of candidates for the Management Board members and the Supervisory Board members. The Committee also provided assistance in defining the scope of the responsibilities of a candidate for the Management Board of the Bank, likewise the requirements as to the knowledge and competences and expected commitment in terms of time devoted to performance of the relevant function. The Committee assessed periodically the individual and collective adequacy of the Supervisory Board Members and of the Management Board Members, in terms of the structure, size, composition and effectiveness of the Management Board's operations. The assessment resulted in recommendation of relevant changes to the Supervisory Board.

Composition of the Nomination Committee in 2019

Jean-Paul Sabet – Chairman,

Józef Wancer – Member

Francois Benaroya – Member

5. SELF-ASSESSMENT OF THE SUPERVISORY BOARD WORK IN 2019

The Supervisory Board of BNP Paribas Bank Polska S.A. states that in 2019 it adequately permanently supervised the Bank's business activity in all its areas pursuant to the applicable law and the Bank's Articles of Association. It is the view of the Supervisory Board that it fulfils its obligations diligently and effectively, constantly overseeing the Company's operations and development in all areas of its activity, whereas its composition guaranteed a high level of qualifications, competence and extensive professional experience as well as knowledge of the Polish financial market, ensuring an appropriate level of collective supervision over all areas of the Bank's operations. In the opinion of the Supervisory Board, professional experience and diversified competences of the members of the Supervisory Board enable them to examine thoroughly and provide opinions on presented issues, and to express a wide range of views while assessing the work of the Management Board and functioning of BNP Paribas Bank Polska S.A.

The Supervisory Board positively assessed the cooperation with the Management Board, stressing reliability and accuracy of the information provided by the Management Board. Furthermore, the Supervisory Board recognized active participation of the Management Board in meetings of the Supervisory Board (presentation of motions submitted to the Supervisory Board and provision of relevant clarifications).

In 2019 all the Members of the Supervisory Board actively participated in the Board's meetings and showed commitment to duly perform their duties, whilst the current situation of the company, market changes as well as best practices and standards were taken into consideration during discussions.

The number and duration of the meetings, paired with the access to resources, proved sufficient for the Supervisory Board to fully meet its obligations, whereas the documents prepared for the Supervisory Board contained important information and were provided for the meetings sufficiently in advance.

The value of the documents submitted for meetings of the Supervisory Board, in terms of their substance, was assessed highly.

6. ASSESSMENTS MADE BY THE SUPERVISORY BOARD IN 2019

6.1. Assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant control mechanisms, in particular financial reporting and operational activity

The Supervisory Board positively assessed the Bank's standing. At the same time, the Supervisory Board asserts that the system of internal control mechanisms is effective and efficient, except for gaps detected during the control processes. With respect to material deficiencies of the internal control system, the Supervisory Board monitored implementation of action plans addressing the identified gaps in effectiveness and efficiency. As for the risk management, compliance and internal audit function systems, including control mechanisms covering financial reporting and operational activity, it is the view of the Supervisory Board that the respective systems operate correctly and match the Bank's activity level and complexity, as well as they comply with the adopted principles, whereas the Bank in general effectively manages the compliance risk.

6.2. Assessment of the Bank's compliance with the Principles of Corporate Governance for the Supervised Institutions of 22 July 2014 issued by the Polish Financial Supervision Authority

In the opinion of the Supervisory Board, the Bank and its authorities complied in 2019 with the adopted Principles of Corporate Governance for the Supervised Institutions. The Supervisory Board did not identify any violations by the Bank of the Principles of Corporate Governance for the Supervised Institutions in the period covered by this report.

6.3. Assessment of the Bank's compliance with the disclosure obligations concerning compliance with the corporate governance principles specified in the Good Practices of Companies listed on Warsaw Stock Exchange 2016

In the opinion of the Supervisory Board, the Bank's Management Board adequately performed disclosure obligations under the principles specified in the Good Practices of Companies Listed on Warsaw Stock Exchange 2016, duties defined in the Stock Exchange By-laws and provisions on disclosure obligations by companies traded on the public market.

6.4. Assessment of the rationality of sponsorship, philanthropic and CSR activity pursued by the Company

The Supervisory Board positively assessed the rationality of the sponsorship policy, philanthropic and CSR activity pursued by the Bank. The activity that is conducted rationally enables the company to accomplish its mission and business strategy, and it accommodates needs of the company's stakeholders (clients, employees, local communities, business partners and sector organisations etc.).

6.5. Assessment of the policy regarding the election of Members of the Bank's Management Board or Supervisory Board as regards ensuring versatility and diversity of such authorities, including with respect to gender, education, age and professional experience.

The Supervisory Board positively assessed best practices adopted by the Bank in the field of diversity policy with respect to all the Bank's employees, regardless of their position, with particular emphasis on the Bank's authorities and its key managers, in terms of effectiveness.

As regards the appropriate composition of the Management Board and Supervisory Board in terms of education and experience, the Bank applied the rules arising from the Bank's Articles of Association, that is:

- at least two Management Board Members, including the President, should have knowledge and experience that enable stable and prudent management of the Bank. Indeed, at least half of the Bank's Management Board Members have good knowledge of the banking market in Poland, i.e. they have permanent residence in Poland, have a good command of Polish and appropriate experience on the Polish market (Article 21 para. 3-4 of the Bank's Articles of Association).

- at least half of the Bank Supervisory Board members have good knowledge of the banking market in Poland, i.e. they have a good command of Polish and appropriate experience on the Polish market (Article 16 para. 1 of the Bank's Articles of Association).