COMPENSATION PRINCIPLES, AND COMPENSATION POLICY OF EMPLOYEES HAVING PROFESSIONNAL ACTIVITIES SIGNIFICANTLY IMPACTING THE COMPANY'S RISK PROFILE

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Regulatory texts[1]	◆ **Financial Stability Board** – 25 September 2009 - FSB Principles for Sound Compensation Practices – Implementation Standards ◆ **Professional standards (French Banking Federation) of March 2011** concerning the governance and variable compensation of employees whose professional activities have a material impact on the risk profile of the company together with the board members ◆ EBA Guidelines on remuneration policies and practices related to the provision and sale of retail banking products and services (EBA/GL/2016/06) of 13 December 2016 ◆ **AMF position no. 2013-24 on 29 November 2013** “Politiques et pratiques de rémunération des Prestataires de Services d’Investissement”. ◆ **“CRD5”: DIRECTIVE 2013/36/EU OF THE EUROPEAN PARLIAMENT AND THE COUNCIL of 26 June 2013** on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ◆ **Order no. 2014-158 of 20 February 2014** concerning various provisions to adapt European Union legislation on financial matters modifying the French Monetary and Financial Code ◆ **Decree no 2014-1315 dated 3 November 2014** with several provisions of adaption to the European Union rules related to financial issues and to financial institutions ◆ **Order dated 3 November 2014 related to the internal control of banking companies**, payment sector and investment services subject to the control of French banking authority (ACPR) ◆ **AFEP-MEDEF Code** ◆ **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 ◆ **Section 13 of the Bank Holding Company Act of 1956**, supplementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the implementing rules (collectively referred to as the “Volcker Rule”) adopted by the Federal Reserve Board and other U.S. regulatory agencies (the “Volcker Rule Regulators”) ◆ **French Law n°2013-672 of 26 July 2013 relative to the separation and regulation of banking activities and associated Decrees (French Banking Law)**
Object	Define BNP Paribas Group (hereafter “the Group”) remuneration principles and the remuneration policy applicable to employees subject to specific regulatory requirements: in particular employees identified within the Group as material risk takers (MRT), SMP, as well as employees subject to French Banking Law (“FBL”) or

[1] Non-exhaustive list which can be completed by specific regulatory provisions applicable to subsidiaries in some countries and/or dispositions applicable to specific activities

	Volcker Rule ("VR"); as well as the remuneration policy for employees providing investment and ancillary services (as defined by MIFID 2) to clients, which should promote a professional behavior in compliance with the standards defined in the Group Code of Conduct, a fair treatment of clients and avoid conflicts of interests in relations with clients.

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I. Definition and abbreviation

ACPR	Autorité de Contrôle Prudentiel et de Résolution (French Banking Authority)
CRIF	Compliance, Risk and Finance Committee managed by General Management
CGR	Cash Generating Units
CRP	Annual Compensation Review Process
EBA	European Banking Authority
ECB	European Central Banking
Entity	Pole, Function, Business, branch or subsidiary of BNP Paribas
FSB	Financial Stability Board
FBL	French Banking law
G100	Group executive staff
HR	Human Resources
MRT	Material Risk Takers
MIFID	Markets in Financial Instruments Directive
Ratio	Ratio between total variable compensation and total fixed compensation
SMP	Senior Management Position
Top-up	Exceptional compensation
VR	Volcker Rule

II. Compensation guidelines

The guidelines relating to the structure of compensation and salary increase are common to the Group as a whole and are in line with the risk management objectives. The objective of this policy is to prevent promoting risk-taking that exceeds the level of risk tolerated by the bank, as well as to prevent conflicts of interest and unfair treatment of clients.

The BNP Paribas Group remuneration policy and compensation arrangements must not encourage or reward activities that expose the Group to unauthorised excessive or imprudent risk, or risk that would fail to comply with the rules such as defined by the Volcker rule and French Banking Law. Group principles concerning the Volcker Rule and the French Banking Law are defined in the Global Policy Volcker Rule CG0232EN and in the French Banking Law Policy CG0230EN.

Variable compensation is determined in such a way as to avoid incentives that could lead to conflicts of interest between employees and clients, or non-compliance with conduct of business rules. BNP Paribas Personal Finance principles concerning the protection of interests of clients and management of conflicts of interest are defined in the Group Conflicts of interest Global Policy CG0057EN.

These guidelines are applicable to the entire BNP Paribas Group. BNP Paribas Personal Finance's compensation policy is based on the compensation guidelines defined for the BNP Paribas Group. When implementing this policy locally, entities must ensure that their compensation policy complies with the BNP Paribas Personal Finance guidelines and with applicable legislation and regulations, especially in accordance with conduct of business rules, risk management, management of conflicts of interest and fair treatment principles.

A. Compensation structure

1. Fixed compensation

- Fixed compensation rewards competence, experience, qualification level, and the level of involvement in assigned tasks.
- It is set on the basis of the (local or professional) market and the principle of internal consistency within BNP Paribas Personal Finance.
- It is composed of a fixed base salary, which rewards the skills and responsibilities corresponding to the position held, and is also composed in some specific cases of fixed pay supplements linked to specific duties of the position (speciality or function Special Allowance).

2. Variable compensation

Variable compensation rewards:

- Quantitative achievements and
- Qualitative achievements

measured on the basis of sustainable observed performance and individual assessments, according to fixed objectives.

It does not constitute a right and is set in a discretionary manner each year in accordance with the compensation policy for the relevant year and corporate governance guidelines. It takes the form of a compensation for employees who are included in the "Material Risk Takers" category (see III).

- "Top-up" or exceptional compensation:

In the case of exceptional performance, additional variable compensation may be paid in the form of so-called "top-up" compensations that are in addition to individual variable compensation.

- "Loyalty Scheme":

In addition, variable compensation may also consist of a medium or long-term loyalty scheme, which may include stock options, performance shares, long or medium-term compensation plan, or any other suitable instrument aimed at motivating and building the loyalty of the Group's key employees and high potential employees, by giving them an interest in the growth of the value created.

- "Retention Compensation":

A retention compensation may exceptionally be awarded during the year, to retain a key employee on the verge of being hired by a competitor:

  - on the basis of proof justifying the existence of a formal offer from the so-called competitor, or
  - with converging indicators that enable the Head of HR and the Head of BNP Paribas Personal Finance to consider that there is a very high risk of departure that would weaken the activity.

This retention compensation will in any case cover a maximum period of one year and will be granted under the same conditions as the other compensations (i.e. III.C, with a deferred portion, indexing and performance conditions).

- "Guaranteed Compensation": Guaranteed variable compensation

An advance guarantee of the variable compensation payment is prohibited.

However, in the context of hiring, especially to attract a key competence, the award of variable compensation may be exceptionally guaranteed for the first year; this award shall in any event be subject to the same conditions as variable compensation (that is to say, with a deferred portion, indexing, and performance conditions

3. Sale incentive schemes

For employees holding commercial functions, individual variable remuneration can be awarded under sales incentive schemes. These schemes must not be designed in a way that would promote selling a product or a service which is not well adapted to the clients' needs, or favour employees' and/or the Bank's interests over clients' interests.

4. Collective variable compensation

Depending on local legislation, profit sharing schemes can exist and their calculation methodology is usually defined through agreements, enabling employees to receive a portion of the Group's profits and/or the profits of the entity in which they work.

5. Other compensation

- Sign-on compensation:

For specific recruitment needs, compensations paid in cash can be granted to new hires (the amounts will be charged against the compensation pool for the financial year).

These compensations may not exceed the amounts set by BNP Paribas Personal Finance's Corporate HR Department.Such compensation should in any event comply with the provisions set out in the Remuneration regulation sec 16.

These compensations should include a claw-back clause in case the new hire leaves the company the first year following the hire date.

- Buyout awards:

Buyout allocated to newly hired experienced executives will be paid according to a schedule and under conditions as close as possible to the initial vesting dates and conditions of the repurchased instruments.

They will also have to be aligned with the payment and behavioural conditions included in the BNP Paribas Group's deferred compensation plans in effect at the time of the buy-out awards of these employees

- Severance benefits:

In the event of early termination of an employment contract, any amount paid within a transactional agreement (in excess of mandatory legal amounts and collective agreements) should reflect the past effective performance of the employee. The evaluation of this performance must be documented.

- Individual pension benefits:

In the event of payment of individual pension benefits, such payment must be made in the form of shares or similar instruments and deferred 5 years from the employee's departure date

6. Employee benefits

Employee benefits are dependent on each country's legislation and come in addition to any other remuneration components. They are intended to protect employees against the uncertainties of life (disability and life insurances, etc.), encourage their savings efforts and promote preparation for retirement.

In addition to mandatory benefits (due to legal requirements or union agreements), according to regulations and practices of the country in which the Group is located, employees may benefit from:

- employee protection schemes: cover for medical expenses, disability insurance and/or death insurance
- pension plans allowing employees to build up capital during their working life to supplement their retirement income
- schemes aimed at encouraging employee savings effort.

Within BNP Paribas Personal Finance there are also some flexible employee benefit schemes which vary based on the entity and country, allowing employees to determine their own level of coverage according to the different benefits proposed. These schemes may be supplemented by benefits in kind.

B. Compensation Review Process

The Compensation Review Process (CRP) takes places annually between November and March. This process consists in an overall review, guaranteeing:

- equal and fair treatment: for individual allocation of compensation (salary increases, allocation of variable compensation and potential allocations under the Group Loyalty Scheme), the general principle is that of equal and fair treatment and that no discriminatory criteria be included
- compliance with the rules on delegation and with annual budget validated for each Entity by BNP Paribas Personal Finance General Management
- a systematic double check by line management and HR.

An intermediate review of compensation, targeted on certain categories of employees or certain geographical areas, may be authorised depending on local practices or specific market circumstances, and should follow the same rules as the initial review.

The centralised monitoring and the CRP tool allow General Management to obtain the status of proposals at any time throughout the Group and to coordinate this process up to individual decisions and their notification, on the basis of the economic context, corporate results and market conditions.

BNP Paribas Personal Finance Corporate Human Resources (Compensation and Benefits) administers the entire process together with the Entities and reports to Group Human Resources on compliance with the rules defined in the scoping note, the process and the budgets allocated.

C. Evolution of fixed compensation

1. Overall budget

Within the various BNP Paribas Personal Finance Entities, the overall budget of salary increases is set by region in accordance with:

- guidelines defined by BNP Paribas Personal Finance General Management in view of budgetary constraints and the economic outlook
- characteristics specific to each country: legislation or contractual obligations (general legal or contractual increases), inflation, local market practices or local labour market.

2. Individual increases

The budget for individual increases is set by deducting from the overall budget the impact of general increases due to legal or contractual obligations.

Individual increases are decided on the basis of:

- promotions
- internal transfers
- increases in skills or experience, improvements in behavioural or professional efficiency
- job market constraints (salary competitiveness, retention, etc.)
- provisions concerning prevention of discrimination
- specific actions decided by BNP Paribas Personal Finance General Management or negotiated with the social partners (e.g. gender equality).

D. Evolution of variable remuneration (compensation)

1. Overall compensation pool

The variable compensation envelopes are set on the basis of the results generated by the Entity (annual compensation pool), the market (local and/or business line) and achievements. The annual budgets are decided as part of the budget process with the Finance Department and the BNP Paribas Personal Finance and Group General Management.

2. Individual allocations

The variable compensation envelopes above are allocated at the individual level, taking into account the annual variations of performance:

- Achievements of the targets set at the beginning of the year
- The measurement of specific performance
- Compliance with the Group Code of Conduct, Rules and Regulations and contribution to risk management[2]
- The measurement of managerial capacities and the application of the Leadership Guidelines (if any), and/or the quality of sales and the protection of the client interests.

E. Payment conditions

The payment conditions governing variable compensation depend on the conditions set annually by the Group CRIF in a transparent manner with the Compensation Committee. Thus, depending on the

[2] In this respect, systematic reviews are conducted annually for the SMP, MRT, FBL/VR populations and specific populations where appropriate, in order to impact the level of variable remuneration in a consistent manner depending on the nature of the observed misconduct.

employee category (see § III for Material Risk Takers), the nature of their activity or their level of variable compensation, some BNP Paribas Personal Finance employees may be subject to specific rules on the structure of their variable compensation (deferral, indexation, etc.).

F. Control functions

The variable compensation envelopes for control functions are determined independently of the performance of the business on which they validate or verify the operations, but take into account, where applicable and to a limited extent, the specific situation of the labour market.

Individual allocations are made according to the Group's guidelines for variable compensation, and independently of the performances of the Entities that the employees control. Furthermore, particular attention must be paid to the employee's contribution to risk management during the annual assessment process.

G. Prohibition of hedging

Beneficiaries are prohibited from hedging or insuring their deferred compensation, including during the lock-up period, against risks of fluctuation in value (indexing) or in order to guarantee a minimum level of performance.

III. Compensation policies for employees whose professional activities have a material impact on the Group's risk profile ("Material Risk Takers")

A. Scope of application

The scheme defined in chapter III, in compliance with CRD5 and its transposition into French law, applies to all Group entities on a consolidated basis and therefore to BNP Paribas Personal Finance. According to the French transposition of CRD5, some activities may be excluded from the Group scheme, including activities subject to specific regulations on remuneration (AIFMD and UCITS for asset management and Solvency for insurance activities) or any other non-banking activity with a total balance sheet below specific thresholds (such as defined by French regulation), which does not impact the Group and BNP Paribas Personal Finance solvability and liquidity.

B. Scope

Employees whose professional activities have a material impact on the risk profile of BNP Paribas Personal Finance are the Material Risk Takers ("MRT"), who are identified in accordance with the criteria defined by the CRD5 2013/36/EU Directive and the Commission Delegated Regulation of March 25th 2021 supplementing the Directive with regard to the appropriate qualitative and quantitative criteria. The annual determination of the scope of BNP Paribas Personal Finance's regulated staff is detailed in an operational procedure, which includes:

<u>At BNP Paribas Personal Finance level</u>

- executive and non-executive managers: BNP Paribas Personal Finance’s governing body
- the other members of the BNP Paribas Personal Finance executive committee
- within the Compliance functions: the head at BNP Paribas Personal Finance level and the managers who directly report to this person
- the Head of Risks and the managers who directly report to this person
- the senior executives responsible for the Region and the managers who directly report to these persons.

<u>In terms of risk criteria</u>

- employees with credit delegations exceeding certain thresholds and those with authority to approve or veto decisions on credit issues
- BNP Paribas Personal Finance employees with the authority to initiate trading transactions with VaR (Value at Risk) limits exceeding certain thresholds, and those who have authority to approve or veto this type of transaction
- committee members with authority to accept or veto transactions, operations or new products
- managers for whom the aggregate delegations of the employees directly reporting to them exceed the threshold for credit risk.

<u>In terms of compensation levels</u>

This list also includes BNP Paribas Personal Finance employees whose annual compensation for the preceding year exceeds certain absolute or relative thresholds of total compensation thresholds and whose professional activities have a material impact on the risk profile of the Group.

<u>At BNP Paribas Personal Finance subsidiary level</u>

All BNP Paribas Personal Finance entities located within the European Union must carry out a study on whether the CRD IV should be transposed into their national law in order to determine if the subsidiary should proceed with the identification of Material Risk Takers (MRT) at its level.

The result of the study must be communicated to BNP Paribas Personal Finance Corporate Human Resources (Compensation and Benefits), irrespective of whether the outcome of such study deems that the subsidiary is not required to carry out an identification at its level.

Once the identification measures have been completed according to local legal requirements, Human Resources at the local level must communicate the list of employees identified as Material Risk Takers (MRT) to BNP Paribas Personal Finance Corporate Human Resources (Compensation and Benefits).

The final list of BNP Paribas Personal Finance MRTs is consolidated each year by BNP Paribas Personal Finance's Corporate Human Resources (Compensation and Benefits) and the Entities, in accordance with this operational procedure and then submitted to Group Human Resources for:

- validation by the Group CRIF
- presentation to the Compensation Committee of the Group's Board of Directors and then to BNP Paribas Personal Finance.

Accordingly, the Board of Directors in Ekspres Bank A/S ("EB") has decided that the material risk takers in EB must be identified on a yearly basis. A material risk taker in EB is a person whose activities may have a material impact on EB's risk profile.

The members of the Board of Directors and the Executive Board are by definition considered material risk takers. Consequently, the Board of Directors must determine on a continuous basis and at least once a year which other EB employees are considered material risk takers based on a recommendation from the Executive Board.

The identification of other material risk takers must be based on an in-depth assessment of roles, responsibilities and actual mandates of positions that could be considered material risk taker positions as well as a sound assessment of risk given the specific characteristics of EB's activities. The identification of material risk takers must be made with due regard to the qualitative and quantitative criteria identified in accordance with the CRD5 (2013/36/EU Directive) and the Commission Delegated Regulation of March 25th 2021 supplementing the Directive with regard to the appropriate qualitative and quantitative criteria.

In the process of identifying material risk takers, relevant stakeholders and specialists must be involved such as risk management, legal advisors and senior management.

Currently, the Board of Directors has identified the following material risk takers in addition to the members of the Board of Directors and the Executive Board: the Head of Internal Audit, the Head of Operational Risk, the Head of Legal/Compliance,the AML responsible, the Head of Finance, the Head of Customer Service, Collection & Legal Collection, the Head of Human Resources, the Head of Sales, the Head of Marketing, the Head of Risk,the Head of IT and the Outsourcing responsible

C. Calculation of Overall Compensation pools (excluding Individual Variable Compensation for employees exercising an operational function)

The variable compensation envelopes for BNP Paribas Personal Finance entities are determined by the application of a variation rate to the budget for the previous financial year, defined on the basis of the evolution of BNP Paribas Personal Finance performance as a whole and of the Entity after taking into account risks, as well as on the basis of market practices.

D. Individual allocations

Individual allocations are made on a discretionary basis (there is no individual contractual formula) on the basis of:

- the performance of the team to which the employee in question belongs and his or her individual performance (performance is measured on the basis of results achieved and the risk level associated with these results)
- assessments (mandatory annual individual assessment performed by the line manager), which simultaneously evaluates:
  a. qualitative achievements in relation to fixed objectives
  b. professional behaviour with regard to values, compliance rules, the Code of Conduct and Group procedures
  c. contribution to risk management, including operational risk and
  d. where applicable, the managerial behaviour of the concerned employee, where applicable.

Independently of any disciplinary procedures, non-compliance with applicable rules and procedures, or breaches of the compliance rules and the Group Code of Conduct shall result in the reduction or cancellation of the compensation.

E. Payment of Variable Compensation for MRTs in EB

1. Background

Any variable compensation awarded to a MRT of EB (a "beneficiary") must comply with the Danish Financial Business Act (the FBA) and the Executive Order on Remuneration Policies (the Remueration regulation).

The FBA requires that any variable compensation awarded to a beneficiary must (i) partially be paid-out in specific financial instruments, (ii) partially be paid-out over a period of four years (deferred pay-out), (iii) be subject to an appropriate retention period and (iv) be subject to pay-out restrictions and claw-back mechanisms (points (i) – (iv) are hereafter jointly referred to as the "specific requirements").

The Board of Directors has decided that it is the responsibility of the [Executive Board] to ensure that any variable compensation complies with the specific requirements hereto. It is the responsibility of the Board of Directors to ensure that any variable compensation awarded to the Executive Board and employees with responsibilities for EB's controlfunctions (eg. risk, complinace and internal audit) complies with the specific requirements hereto.

In addition, any beneficiary must agree to the general terms and conditions for the reception of variable compensation, including the specific requirements (as outlined in more detail below) [and the specific provisions applying to variable compensation through the Group tool DIBOX.

The Board of Directors has outlined the principles of the specific requirements below.

2. Pay-out in financial instruments

At least 50 per cent of any variable compensation awarded must be paid in [shares / corresponding equity interest depending on the company's legal structure (guaranteed capital or similar) / share-based instruments (warrants or share options) / similar instruments reflecting the creditworthiness of the company (synthetic programs)] (the "instrument-based compensation").

In respect to the instrument-based compensation for the Executive Board share-options or similar instruments may not amount to more than 12,5 percent of the fixed salary (including any pension) at the time of calculation.

[The procedure on variable compensation contains specific provisions on the instrument-based compensation.]

In accordance with the above no more than 50 per cent of any variable compensation must be paid-out in cash (the “cash-based compensation”).

3. Deferred portion/non-deferred portion

Variable compensation includes a non-deferred portion and a deferred portion of both the instrument-based compensation and the cash-based compensation.

The deferred portion must be more substantial as the amount of the compensation increases, in accordance with a grid set each year by the CRIF Committee such that the deferred portion of the variable compensation allocated to MRTs represents at least 40% of their variable compensation, and for the highest variable compensation, the deferred portion should represent at least 60% of such compensation.

4. Non-deferred portion

The non-deferred portion of the variable compensation is paid under conditions defined each year:

- half in cash at the award date (cash-based compensation)
- half in shares or similar instruments at the end of a lock-up period (instrument-based compensation).

The instrument-based portion of the non-deferred compensation is subject to a lock-up period in order to ensure that the risk alignment effects embedded in the instrument-based compensation is not undermined.

To ensure that the lock-up period is of an appropriate length the Board of Directors has decided that the [financial instruments] that constitute the instrument-based compensation is subject to a lock-up period of [6 months]. Consequently, in respect to the [financial instruments] that constitute the instrument-based compensation the beneficiary cannot (i) dispose of the [financial instruments] and/or (ii) adopt a personal hedging strategy in respect of those particular [financial instruments] within a period of [6 months] from the award of the instrument-based compensation.

The Board of Directors has defined the conditions under which the non-deferred portion of the variable compensation is paid in the procedure on variable compensation.

5. Deferred portion

In respect to beneficiaries other than the Executive Board the deferred portion is acquired by 1/4 over at least the four (4) years following the award year, subject to the fulfilment of conditions defined at the award date. In respect to the Executive Board the deferred portion is acquired by 1/5 over at least five (5) years following the award year, subject to the fulfilment of conditions defined at the award date.

The deferred portion is always paid:

- half in cash on the vesting date (the cash-based compensation)
- half in shares or similar instruments (the instruments-based compensation).

The purpose for allocating shares or similar instruments is twofold:

- an alignment of beneficiaries with the interests of shareholders
- solidarity with the Group's overall results.

The Board of Directors has decided that the pay-out of at least [40] per cent of any compensation awarded must be deferred. To the extent that the [Executive Board] deems the amount of the compensation to be “high”, the deferred pay-out mechanism must apply to at least [60] per cent of the compensation. However, any amount in excess of DKK 750,000 (before taxes) will always be deemed “high” and thus the deferred pay-out mechanism will always apply to at least [60] per cent of such amounts.

The procedure on variable compensation contains specific provisions on (i) the deferral mechanism and (ii) the factors to consider when determining whether the amount of the compensation is "high".

When part of the variable compensation is fully deferred (for example, under a loyalty programme), this constitutes in priority the deferred portion of the variable compensation. If necessary, a portion of the compensation may also be deferred in addition to the amounts already deferred in order to meet the 40% to 60% target for the highest variable compensations.

The vesting of each annual portion is conditional upon the fulfilment, at each payment date, of the conditions defined initially at the award date, such as the continued profitability of BNP Paribas Personal Finance and/or the Group as a whole.

The specific conditions (the pay-out conditions) generally aim to promote:

- an awareness of the impact of the relevant financial year's activities on the results of subsequent financial years
- an alignment of individual behaviours with the strategy and interests of the company.

The Board of Directors has decided that the specific payout conditions are defined in the procedure on variable compensation.]

The Board of Directors has decided that before any deferred instalment is disbursed to the beneficiary, the [Executive Board] must ensure that the pay-out conditions are met. If the payout conditions are not met during the course of a financial year, the annual deferred portion is lost ("Penalty").

In the event of dismissal for misconduct (or for employees who left the Group, the misconduct that would have led to his/her dismissal if it had been revealed while she/he was an employee), particularly when the employee's action involves a breach of risk management, compliance or adherence to the Code of Conduct, or also a dissimulation or an action that resulted in a distortion of the conditions under which compensations previously allocated were set, all or part of the rights to the deferred portions of the previously allocated variable compensation shall be forfeit and potentially any elements of variable compensation already paid shall be recovered.

Employees transferred internally within the Group, or whose post has been removed, or who have retired or left the Group with the full consent of the latter, continue, in principle, to benefit from the payment of the deferred portion(s) subject to fulfilment of the pay-out conditions initially stipulated.

Moreover, in case of the implementation of a resolution plan as defined by Article L. 613-50 et seq. of the French Monetary and Financial Code (*Code Monétaire et Financier*), the deferred variable compensation scheme rules shall provide the conditions upon which the elements of variable compensation may be reduced or cancelled.

6. Pay-out restrictions and clawback mechanisms

Any variable compensation awarded is subject to the pay-out restrictions and the claw-back mechanisms set out below.

Consequently, the Board of Directors may decide not to pay out variable compensation if EB does not comply with the capital- or solvency requirements applicable to EB from time to time.

Furthermore, the Board of Directors has decided that EB will not pay out compensation to the Executive Board, if during the vesting period of the compensation and up until the calculation of such compensation, the Danish FSA has ordered EB to comply with solvency-requirements.

The procedure on variable compensation outlines the detailed pay-out restrictions that applies to variable compensation.

Furthermore, any beneficiary which has been awarded variable compensation is subject to an obligation to repay the compensation if the data and/or information on which the award of the compensation has been based is later proven to be wrong and the beneficiary is in bad faith in this regard.

In any such cases [the Board of Directors] will decide on a case-by-case basis whether the beneficiary must repay the compensation awarded in full or partially. Any decision regarding the terms of these clawback rules is subject to the approval of BNP Paribas Personal Finance Corporate Human Resources and sent to Group HR (Group HR, Compliance).

F. Principle of proportionality

The annual terms and conditions of the payment rules defined above (§ C) are set each year in a proportionate and differentiated manner by the CRIF which informs the Compensation Committee of the Group's Board of Directors of such terms and conditions.

The application of this principle of proportionality may lead the CRIF, after presentation to the Compensation Committee of the Group's Board of Directors, to adjust or neutralise some of the bonus payment rules defined above (minimum threshold, deferral percentage, lock-up period, conditions of payment of the deferred portion, percentage indexed on share value) for certain employees or groups of employees, in order to take into account, among other things:

- the particular nature of their activities or the specific conditions (in particular regulatory conditions) under which these activities are exercised when they are subject to local regulations, particularly outside of the European Economic Area
- the lower level of seniority or responsibility of these employees, or a lower level of actual individual impact on the company's risk profile, or the structure of their compensation.

G. Fixed/Variable Ratio

The variable compensation allocated to an employee identified as a MRT cannot exceed his or her fixed compensation for the same year multiplied by a Ratio (see below), and can under no circumstances exceed DKK 750,000. This Ratio is defined annually by the CRIF and approved by the Group's shareholders' General Meeting (see VIII/C).

To calculate the ratio, a discount rate can be applied to the portion of the compensation deferred for 5 years or more, paid in the form of shares or similar instruments, up to a limit of 25% of the total variable compensation. The implementing rules of the discount rate will be consistent with the implementation of the guidelines set by the EBA[3].

MRTs in EB, except from the Executive Board, are eligible for a maximum compensation of no more than 100 per cent of their yearly fixed salary (including pension). In addition, the Board of Directors has decided that the Executive Board must, within the compensation cap of 100 per cent of the yearly salary (including pension), determine an individual compensation cap for each of the MRT, except from the Executive Board, under the material bonus scheme which is appropriate based on the function and responsibility of the individual.

The Executive Board is eligible for a compensation of no more than 50 per cent of the yearly fixed salary (including pension). The Board of Directors will determine the individual bonus cap applicable to the Executive Board.

H. Conflict between rules

If rules at the Group, BNP Paribas Personal Finance and local level apply, the most restrictive provisions on terms of payment of compensation will be required.

3 Order of 3 November 2014 on internal control in banking institutions, institutions providing payment services and investment services subject to the control of the "Autorité de contrôle prudentiel et de résolution"

Scope of application and adaptation of Group principles and policies at the local level for employees whose professional activities have a material impact on the entity's risk profile ("Material Risk Takers")

The CRD5 provisions in terms of compensation requirements apply not only a consolidated basis to all BNP Paribas Personal Finance Entities subject to these provisions, but must also be adapted and applied on an individual basis at the level of each of the BNP Paribas Personal Finance subsidiaries within the European Union, according to applicable legislation, in a manner that takes into account their size and internal organisation as well as the nature, scale and complexity of their activity.

Each local HR manager must:

- in collaboration with the local head of Compliance of the entity, ensure that these measures comply with the legislation and regulations applicable at local level
- inform, at the earliest opportunity, BNP Paribas Personal Finance Corporate Human Resources (which will consult with Group HR if necessary) of any conflicts between the BNP Paribas Personal Finance policy and local legal and/or regulatory obligations and/or labour law, and to validate with this department the conditions for resolving any conflicts.

Communication and relations with local regulators are the responsibility of local Compliance teams in close cooperation with the local HR department, which must act in consultation with BNP Paribas Personal Finance Corporate Human Resources and Group HR.

For instance, the application on an individual basis for the Group's banking subsidiaries located in France is required if the subsidiary's total balance sheet exceeds 10 billion euros. The application of the provisions to the Group's banking subsidiaries subject to CRD5 in other EU countries depends on the local transposition of European regulation and on potential additional provisions with the application of potential thresholds defined locally.

Conflict between rules

If rules at the Group, BNP Paribas Personal Finance and local level apply, the most restrictive provisions on terms of payment of compensation will be required.

IV. Remuneration policy for employees subject to the French Banking Law or the Volcker Rule

The law on the separation and regulation of banking activities, the so-called "French Banking Law" (Law No.2013-672 of 26 July 2013) introduced a revision of the regulatory framework for the French banking and financial sector by requiring externalisation. So-called "speculative" activities must now be separated from the other banking activities.

The French Banking Law has an extraterritorial application and applies to Group entities in which BNPP holds at least 50% of the voting rights or on which the Group has exclusive control (in line with IFRS 10), regardless of their country of location (registration or exercise of activity).

In accordance with the French Banking Law, compensation paid to the staff members in charge of operations on financial instruments in activities that are subject to the French Banking Law is defined consistently with the organisational and operating rules applicable to their activity and should not encourage risk-taking without any link with their objectives.

Section 13 of the Bank Holding Company Act, supplementing section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the so-called "Volcker Rule", entered into force in April 2014. This Rule aims to prohibit certain activities in banking entities:

- Proprietary trading, subject to specific exemptions and exclusions
- Acquisition or retention of interest in covered funds or sponsoring of covered funds subject to specific exemptions; transactions with covered funds sponsored by BNPP; authorised investments in covered funds exceeding a threshold of 3%.

The Volcker rule also has an extraterritorial scope. It applies to banking entities that have a subsidiary, branch or agency in the United States. It therefore applies to BNPP as well as to all subsidiaries and affiliated entities of the Group, regardless of their country of location (registration or activity), with a limited number of exclusions.

In compliance with the Volcker Rule (VR), the compensation schemes staff members operating under the exemptions of Market Making, Risk Mitigating Hedging and Underwriting do not reward or incentivise prohibited proprietary trading or investments or activities that expose the Group to excessive or imprudent risk-taking.

A. Scope

The Group decided to apply compensation supervision requirements to staff members operating on activities falling under the broadest definition between the two regulations. Therefore, all activities and desks within the Group which are subject to the French Banking Law and/or the Volcker Rule are affected, irrespective of their jurisdiction, with the exception of exemptions linked to clearing activities and Legacy activities. The mapping of the Group activities and desks subject to FBL and the Volcker Rule is consolidated annually by Group Compliance.
The employees subject to the French Banking Law/Volcker Rule compensation supervision requirements on their individual variable compensation are the Heads of the concerned desks/ activities, in compliance with the "Policy on the annual determination of regulated scope" RHG0057EN.

B. Allocation of individual variable compensation

The allocation of individual variable compensation is made on the basis of:

- the performance of the team to which the employee in question belongs and his or her individual performance (performance is measured on the basis of results achieved and the risk level associated with these results),

- assessments (mandatory annual individual assessment performed by the line manager), which simultaneously evaluate:
  - qualitative achievements in relation to fixed objectives
  - professional behaviour with regard to values, compliance rules, the Code of Conduct and Group procedures
  - contribution to risk management, including operational risk and
  - where applicable, the managerial behaviour of the concerned employee, where applicable.

Independently of any disciplinary procedures, non-compliance with applicable rules and procedures, or breaches of the Group Code of Conduct, Rules and Regulations and Risk Evaluation & Management shall result in the reduction or cancellation of the compensation.

V. Management of compensation practices that may constitute situations of conflict of interest

In compliance with the ESMA guidelines (ESMA/2013/606), the 2016 EBA guidelines, MIFID 2 Directive and Delegated Regulation 2017/565 of 25 April 2016, compensation policies and practices take into account the interest of all clients of the Bank, in order to ensure that they are fairly treated and that their interests are not prejudiced by the remuneration practices adopted by the Group in the short, medium or long term.
Remuneration policies and practices are designed in such a way so as not to create conflicts of interest or incentives that may lead relevant staff members to favour their own interest or the company's interest to the detriment of clients or to sell a product, investment or ancillary service instead of another more appropriate one.

A. Scope of application

1. Entities concerned

All entities within the Group are concerned, whatever their geographical location or their legal status. BNP Paribas entities which are not located within the European Economic Area (EEA) or which do not provide investment and ancillary services as defined under Directive 2014/65/EU – MIFID 2 and/or retail banking products and services as defined by the EBA guidelines will have an additional period of 3 years (01/01/2021) to comply with these provisions. These entities must in any case confirm to Group HR their mitigating action plan to ensure compliance.

2. Concerned populations

The concerned population covers all staff members[4] who can have a direct or indirect impact on investment and ancillary services provided by the investment firm or on its corporate behaviour, regardless of the type of client, to the extent that the remuneration of such persons and similar incentives may create a conflict of interest that encourages them to act against the interests of any of the Entity's clients:

- any person or employee in direct contact with clients (eligible counterparts, professional or non-professional clients) including reception officers and who:
    - sell products and services of all types: banking and financial products and services, investment and ancillary services, etc., or
    - advise on the acquisition or sale of such products via the Bank or via intermediaries
- the line managers of the abovementioned employees who establish or approve their sales targets or validate their achievement
- the sales promotion and/or supervision teams who directly support and/or supervise the abovementioned employees for the achievement of their sales targets
- the teams in charge of structuring or manufacturing products and services sold to corporate or retail clients, if this production is linked to sales targets that the distributors are expected to meet
- the teams in charge of customer loyalty programmes
- the teams in charge of processing client complaints.

The HR departments of local entities, with the assistance of the Compliance function of these Entities, define the relevant population on a global basis, based on general criteria such as the type of position, the entire operational unit, etc. These teams must ensure that there is no direct link between the

4 Directors, associates or equivalents, managing director or tied agents, staff members of the institution or of a tied agent as well as any other physical person whose services are made available and placed under the control of the institution or of the tied agent and who participates in providing investment services and activities for the institution

compensation of the employees of these entities and the sale of a specific product or category of products, as a general rule or in relation to occasional operations (sales campaigns).

B. General principles

In addition to fixed compensation, variable compensation and sales incentive schemes as defined in Chapter II, MIFID 2 and the associated Delegated Regulation also cover other types of incentive schemes which may create situations of conflicts of interest.

1. Concerned compensation scheme

All forms of payments or benefits provided directly or indirectly to the abovementioned employees in the context of their professional activity:

- financial flows: cash payments, payments in the form of shares or options, cancellation of loans to the relevant persons in the event of dismissal, pension contributions, compensation by third parties through “carried interest” type mechanisms, for example, salary increases
- non-financial benefits: career advancement, health cover, discounts or specific terms and conditions for the use of a vehicle or mobile phone, broad reimbursements of expense reports, workshops in exotic locations, etc.

which involve variations substantially based on quantitative criteria (quantitative indicators such as sales or production figures) that could incentivise employees to prioritise the Bank’s interests and their own personal interests to the detriment of the clients’ interests.

2. Definition of compensation policies

The compensation or other benefits awarded to reward the performance of the relevant employees:

- Are not based solely or predominantly on quantitative commercial criteria (in particular they should not be directly linked to the sale of a specific product or category of products) or on overall Group performance (except for collective variable compensation) or performance of their business line (see Appendix 1: Examples of good and poor practices).
- Must include appropriate and measurable qualitative criteria which can mitigate or neutralise quantitative elements, in order to reflect compliance with applicable regulations, fair treatment of clients, quality of services provided to clients and any other permanent control measures which ensure protection of clients’ interests (indicators on client satisfaction, on protection of their interests, absence of complaints, etc.). Protection of clients’ interests does not prohibit promotion of products and services which are aligned with their best interest.
- Are defined in order to maintain an appropriate balance between fixed and variable components of remuneration, so that the remuneration structure does not favour the interests of the Group/Entity or its relevant persons over the interests of any client.

3. Implementation

Upon implementation of the policies and procedures for enforcement of this policy, each relevant Entity must:

- establish compensation policies, practices and schemes that take into account the types of products provided and their distribution methods, and must have them approved by local competent management bodies in accordance with the provisions of VIII hereinafter
- define an appropriate balance between the fixed and variable components of the compensation in order to favour the best interests of the clients

- assess individual and collective performance based on appropriate criteria, in particular on qualitative criteria that aim to promote acting in the best interests of the clients (level of client satisfaction, compliance with procedures, etc.)
- implement measures to identify employees who have not acted in the best interests of the clients
- clearly and specifically inform all relevant employees, in advance, of the criteria used to determine their compensation
- analyse compensation schemes that are linked to the distribution of new products (during new product approval committees) in order to ensure compliance with the policy
- design and implement controls in order to ensure that the compensation schemes respect Group principles, in particular for those employees who have the highest levels of compensation
- assess the results in light of qualitative criteria.

In order to conduct these controls, potential materiality thresholds can be defined in relation to the relevant activities or environments[5].

5 Variable compensation (or a benefit in kind), the amount of which does not exceed the higher of a fixed annual threshold amount (€250) or a certain percentage of the fixed compensation, does not fall within the scope of the controls.

VI. Governance and administration of the process

The BNP Paribas Group's compensation principles and policy for employees subject to regulatory provisions, as detailed in this policy, are designed and proposed by Group Human Resources together with BNP Paribas Personal Finance Corporate Human Resources presented for validation to the Group Compliance, Risk and Finance Committee (CRIF Committee), chaired by Group General Management, then presented to the Compensation and Remunerations Committee before approval by the Board of Directors of BNP Paribas Personal Finance and the Group.

Subject to local regulations and/or legislations or governance principles linked to CRD5 and its transpositions into national law, this policy should be adapted and applied at the level of each Group legal entity subject on an individual basis to CRD5 provisions, and should be reviewed and validated by compliance, general management and validated by the competent management body of the relevant entity.

Concerning the provisions of MIFID 2 (refer to Chapter VI), the compensation policies, local procedures and schemes implemented by the legal entities in application of this Policy (and this Policy itself) should be reviewed, approved and supervised by the competent management and governance bodies at the local level (the Board of Directors or the Supervisory Board in their supervisory function and the General Management of the entity) and then by the relevant ad-hoc committees[6]. In any case, the Board of Directors or the Supervisory Board is responsible for the approval and supervision of the compensation policy, in particular in the provision of investment services functions, while the General Management of the Entity is responsible for its day-to-day implementation, monitoring the compliance risks linked to this policy, as well as reviewing and validating the entire compensation schemes in relation with this policy.

A. Compliance Risk and Finance Committee (CRIF)

The CRIF Committee is chaired by the Group's Chief Operating Officer. It includes the heads of these three departments (or representatives appointed by them), as well as the Head of Group Human Resources, the Deputy Chief Operating Officer, chairman of the Committee by delegation and the Group Head of Compensation and Benefits who prepares the documents of the committee and drafts the minutes.

This Committee reviews and validates:

- the compliance of the compensation policy for material risk takers with current regulations and professional standards
- the adequacy of this policy and its implementation with the company's risk policy
- the consistency of variable compensation practices with the preservation of a sufficient level of equity capital
- any decision for which its advice is required by this document.

The CRIF committee also receives a summary of the employees identified in particular as MRT (at Group or local level) or subject to FBL and/or VR who committed breaches in relation to the Respect of the Code of Conduct, Rules and Regulations and Risk Evaluation & Management with the impacts on their annual variable compensation.

B. Compensation Committee and Board of Directors

The compensation guidelines and compensation policy for regulated employees (this document and any modifications hereto) are proposed to the Compensation Committee after validation by the Group CRIF.

The Committee deliberates on the matter and submits it to the Group's Board of Directors for approval.

The CRIF Committee provides the Compensation Committee with all useful information needed to perform its mission, including:

6 Including in particular the HR and Compliance functions

- levels of parameters used to determine bonus pools for the various activities of BNP Paribas Personal Finance
- conditions for distribution, individual allocation and payment methods.

The Compensation Committee also receives any appropriate summary report on the review of the implementation of the compensation policy in particular in relation to Group permanent control and/or periodic control frameworks.

C. General Shareholders' Meeting

The BNP Paribas General Shareholders' Meeting is consulted annually on:

- the compensation envelopes paid for the previous year to employees identified as MRTs for that year including the Fixed Compensation and Variable Compensation
- the compensation awarded to BNP Paribas executive directors and corporate officers.

In addition, the Group CRIF will decide to propose to the Compensation Committee of the Board of Directors to submit a proposal to the Group's General Shareholders Meeting in order to raise the Ratio from 100% to 200% (see III.E). The approval of the General Shareholders' Meeting shall be obtained by a two-thirds majority, provided that at least half of the shareholders or the holders of equivalent rights are represented, failing which, three-quarters majority will be required.

Employees identified as MRT for the previous year will be excluded from the vote.

After approval of the increase of the Ratio at the BNP Paribas General Shareholders' Meeting a similar decision is submitted to the BNP Paribas Personal Finance General Shareholders' Meeting for approval and application of the same ratio within BNP Paribas Personal Finance.

D. Annual guidelines

In accordance with this policy, decisions on the guidelines of the compensation process are taken annually by the CRIF Committee, including the level and parameters used to determine bonus pools for regulated employees, as well as payment rules (including rules on deferred payment).

E. Delegations

Reminder: Delegations dealing with compensation are granted by the Head of Group HR to the Head of HR within BNP Paribas Personal Finance for all of BNP Paribas Personal Finance's employees with the exception of the Group's executive staff (G100). They are formalised by a letter signed by the Head of Group HR for the attention of the Head of HR within BNP Paribas Personal Finance, with a table defining the delegation levels granted on compensation of new hires, individual pay increases, pay increases for expatriates, variable compensation, allocation of stock options and specific schemes and transactions.

In the same way, delegations dealing with compensation are granted by the Head of HR within BNP Paribas Personal Finance to Regional Heads of HR within BNP Paribas Personal Finance. These delegations are formalised by a letter signed by the Head of HR within BNP Personal Finance for the attention of the Regional Heads of HR within BNP Paribas Personal Finance, with a table defining the delegation levels granted on compensation of new hires, individual pay increases, pay increases for expatriates, variable compensation, allocation of stock options and specific schemes and transactions.

The delegation rules in effect within BNP Paribas Personal Finance are applicable in principle to MRTs.

However, specific delegation rules may apply for the compensation of regulated employees. These specific rules are defined, where applicable, annually during the compensation process; they may notably include the review and approval at General Management level of compensations exceeding specific thresholds.

The delegation rules in effect within BNP Paribas Personal Finance are also applied to support and control functions; it should be recalled that:

- compensation of Personal Finance's executive staff (G100) is individually established by General Management on the joint recommendation of their line manager and Group HR
- compensation of employees working in integrated functions (RISK, Compliance, General Inspection and Group Legal) is set by the Head of the function concerned in collaboration with the HR department and in accordance the responsibilities charters of each function
- compensation of "key contributors" (as they are defined in their charters) of the Finance, HR, Operations/IT and Communications functions is set jointly between the line manager to whom they report at BNP Paribas Personal Finance and the head of the Group function to which they are attached, in agreement with the HR function,

F. Audit and Control

Permanent control: The operating procedures implementing this memorandum are documented, as well as decisions made in the context of the compensation process, so as to ensure the auditability of the scheme; surveillance points and level 2 control responsibilities are identified.

In particular, the Entities must regularly monitor the implementation of the policy and make sure that controls have been designed and implemented to verify at least the following:

- the alignment of local policies and procedures with this policy and propose adjustments and updates, where needed

These controls will be implemented in a proportionate manner, taking into account the business and the nature of the activity of the relevant employees as well as the type of compensation.

Periodic control: BNP Paribas Personal Finance's competent oversight control body will conduct an annual independent ex-post review of the process to ensure that it actually complies with the guidelines and procedures stipulated herein. A summary of the report will be systematically communicated to the Compensation Committee.

Appendix 1

Examples of good and poor practices according to management of conflicts of interest and protecting client interests

Good practices:

- The variable component of the remuneration is calculated on a linear basis rather than being dependent on meeting an ‘all or nothing’ target; it can be paid out in several tranches over an appropriate time period in order to adjust for the long-term results.
- The variable component of the remuneration is based on qualitative criteria.
- The criteria used in calculating this variable component are the same for all products marketed, and include qualitative criteria.
- For indefinite-term investments, payment of the variable component of the remuneration is deferred until a certain number of years have passed or until the product is repaid.
- The variable component of the remuneration is liquidated upon completion of the investment or is deferred to ensure that the client’s final profit is taken into account and so that the variable component can be adjusted, if applicable.
- The variable component of the remuneration is based on both the volume of product sales and the client’s actual return on investment, valued over an appropriate period of time.

Poor practices:

- Additional, specific remuneration is offered to employees so that they encourage clients to invest in a product in which the Bank has a specific interest while another could better meet their needs (this practice also often leads the employee to suggest that clients sell products that they had previously been advised to keep, to then invest in the new product).
- Employees receive a large bonus linked to a specific product, which encourages them to sell the product without having verified whether it is well suited to the client and without having properly considered the risks identified; the bonus is paid out before the identified risks have realized.
- The variable component only takes into consideration volume of sales.
- Employees engage in frequent buying and selling of products, or prioritize short-term products to receive additional remuneration, without ensuring that these practices are in the best interests of the client.
- The remuneration policy directly links remuneration to the sale of specific financial instruments or a category of financial instruments.
- Consideration of primarily quantitative data to determine variable remuneration.
- Incentives that might influence the relevant persons to sell or favour a specific product: incentives that vary from one product type to another, compensation based on the volume of sales of each product, compensation for the sale of specific products that increases over a defined period of time (promotional campaign).
- Inappropriate requirements that affect whether incentives are paid: requirement to achieve a quota of minimum sales levels across a range of products in order to earn any bonus, link between payment of the bonus and a minimum penetration rate of sales of optional services
- “Accelerator scales” whereby crossing a certain threshold proportionately increases the bonuses earned.