

BNP PARIBAS

GOVERNANCE THAT SUPPORTS THE LONG-TERM STRATEGY OF THE BNP PARIBAS GROUP

Best practice in governance

A clear separation of powers between the Chairman of the Board of Directors and the Chief Executive Officer

The functions of the Chairman and of the Chief Executive Officer have been separated since 2003 and no member of the Executive Committee has sat on any of the Board Committees since 1997.

The Chairman ensures that the Board fulfils its role in representing the interests of all shareholders over the long term, independent from, in particular, the interests of Group management. The Chairman ensures compliance with best practice in the area of governance.

The Chief Executive Officer and the Chief Operating Officer propose the Group strategy to the Board and then conduct the management of the company in order to achieve the strategic objectives that have been approved.

This governance model guarantees the independence of functions, thus ensuring optimal efficiency in the functioning of executive management bodies and of the Board of Directors.

An independent and representative Board of Directors

The Members of the Board of Directors are elected for three-year terms, which may be renewed.

Two of the Directors are elected by staff, and represent the company's employees.

As at end of 2018 financial year, five out of the twelve Directors elected by shareholders are women, and five different nationalities are represented on the Board. Ten Board members qualify as independent, a proportion that largely exceeds the recommendations of the Afep-Medef code for corporate governance, which provide that at least half of the Board be composed of independent Directors.

An Audit Committee with a majority of independent members

The powers devoted to the Audit Committee have been split between the Financial Statements Committee, composed of 80% of independent Directors, and the Internal Control, Risk Management and Compliance Committee.



Voting rights that guarantee the protection of the interests of all shareholders

Voting rights and the amount of dividends paid out are calculated pro rata to the capital held by each shareholder according to the principle “1 share = 1 vote = 1 dividend”. There are no double voting rights or limits to the exercise of voting rights. These terms guarantee the compliance with the principles of shareholder democracy.

A compensation policy that integrates the long-term interests of BNP Paribas Group

Transparency and oversight of the variable compensation for the executive corporate officers

The variable compensation of the Group’s executive **corporate officers** is determined by:

- measurable quantitative criteria relating to the Group’s performance (change in net earnings per share during the period and percentage achievement of the Group’s gross operating income);
- criteria related to the Group’s performance: multicriteria assessment of environmental, social and societal actions;
- qualitative criteria relating to the implementation of the Bank’s strategic guidelines, particularly the human, organisational and technical dimensions of its transformation plan.

Moreover:

- 60% of the variable compensation is deferred over five years following the year when the compensation is awarded, at the rate of one-fifth per year;
- the deferred portions of compensation are linked to the Group’s performance, and half of this amount is indexed to the performance of the BNP Paribas share, applying to both deferred and non-deferred portions.

Furthermore, the totality of the awards is subjected to “penalty” and “claw-back” clauses.

Transparency and control of variable compensation for employees whose professional activities may have a material impact on the company’s risk profile (employees identified as “Material Risk Takers”)

Variable compensation policy for employees identified as Material Risk Takers is closely controlled to ensure alignment of the interests of the beneficiary employees with the long-term interests of the company and its shareholders, notably through deferral of ‘bonus’ payments over several years. Each year the Group discloses information on compensation and benefits received by “Material Risk Takers” on the BNP Paribas website (<https://invest.bnpparibas.com/en>).