



EXTERNAL DISCLOSURE ON BNP PARIBAS ASSET MANAGEMENT FRANCE'S REMUNERATION POLICY, A MANAGEMENT COMPANY OF THE ASSET MANAGEMENT BUSINESS LINE OF BNP PARIBAS GROUP

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The objective of a remuneration policy is to ensure all employees are compensated in a way that complies with management guidelines, while offering transparency and consistency in the remuneration strategy, and ensuring compliance with applicable regulations.

In asset management, where human capital is crucial, a company's remuneration policy and practices have a significant impact on competitiveness, helping it recruit and retain talent.

Fostering awareness of our compensation policy and practices among our managers and employees is particularly important to BNP PARIBAS ASSET MANAGEMENT (BNPP AM), the asset management business line of BNP Paribas Group.

→ What are the key principles of BNPP AM's Reward Policy?

- First, our reward strategy is designed to achieve a sound, responsible and effective remuneration policy and practice. In particular, it is designed to:
 - avoid conflicts of interest;
 - protect the clients' interests; and
 - ensure there is no encouraging of excessive risk-taking.

These three points are central to our policy and are emphasized to all our employees.

To meet these objectives, we use a best practice, which is to align the long-term interests of the employee, the employer and its clients.

- Secondly, in concrete terms, BNPP AM's remuneration policy centres around four guiding business principles:

Pay for Performance: our results-oriented reward policy helps us attract, motivate and retain the best and most effective talent.

Share Wealth Creation: monitoring closely the pay-out ratio of variable remuneration relative to BNPP AM's operating profits (before variable remuneration), allows us to fully align the remuneration of BNPP AM's human capital with that of our shareholders.

Aligning employee's and company's goals, particularly for investment teams and senior managers with long-term incentive plans, enables us to create a closer "*line of sight*", further strengthening the link between performance and rewards.

Promoting an element of employee risk-sharing (which we dub "*skin in the game*"), ensures that investment teams and senior managers are fully committed to the long term performance of the company and its products.

Together, these guiding principles help shape the BNPP AM approach to reward, resulting in what we call "Total Reward".

- Indeed, monetary remuneration is just one part of our total reward package. We also offer our employees competitive benefits, exciting career opportunities and a dynamic workplace offering challenges and a sense of achievement.

→ What types of remuneration are awarded in practice?

BNPP AM's compensation structure is made up of three main types of remuneration:

- Everyone benefits from **Fixed Compensation** or a base salary, reflecting the individual's role, qualifications and experience, as well as a satisfactory level of commitment.
- **Short Term Variable Compensation** is a supplement available to a wide range of employees and based on individual and collective performance. It is usually delivered in cash in March after the end of the performance measurement period.
- **Long Term Incentive Awards** are supplements based on objective criteria defined for targeted populations, such as senior managers and investment teams. These awards are deferred, with payment over several years, settled after various risk adjustment factors have been applied.

→ How is performance measured and linked to variable remuneration?

- Remuneration depends not just on individual success, but also on the whole company's performance.

For awards of variable remuneration, the global variable remuneration pool is a result of BNPP AM's overall performance, reflecting its success in meeting major business objectives. In a top-down approach, this collective performance is assessed and cascaded down to BNPP AM departments, based on specific key performance indicators.

Finance and HR help BNPP AM's top Management determine the annual global variable remuneration pool, based on an estimate of BNPP AM's profit before variable remuneration. This estimate is made after adjustments from Risk, Compliance, Legal and Operational Risk Control have been factored in, as may be needed. This helps ensure that all existing and foreseeable risks¹ are duly taken into account.

- Individual performance is assessed all along the year, then at the end of it, thanks to a performance rating, based primarily on individual objectives² set at the beginning of the year, for each BNPP AM employee.

Here as well, managers are required to pay specific attention to all existing and foreseeable risks (as defined above), when carrying out their employees' annual individual appraisal. This can be done using key performance indicators tailored to each employee, pre-defined during the semi-annual objectives' setting and re-assessment processes.

Furthermore, specific methodologies have been developed to measure the performance of investment managers and sales teams within the context of incentive schemes.

Notably, for investment managers of benchmarked portfolios, excess performance over the benchmark are quantitatively measured, as a proportion of the target excess return of the portfolios, controlling that risks taken stayed within the pre-set risk budgets.

¹ e.g., market, credit, operational, liquidity, compliance, litigation risks...

² BNPP AM ensures that quantitative objectives are always supplemented with qualitative objectives

This calculation is done on one and three years, or one, three and five years, with both the depth of performance and the relative weight of performance for each year, defined by asset classes. Further, the flagship portfolios of the team are given specific weights, under supervision from Risk, Compliance and HR.

- For control functions, such as Compliance, Risk, Legal and Operational Risk Control, fixed and variable compensation is set independently from the performance and the compensation pool of the business areas that they oversee or monitor. This is secured by BNP Paribas' organisation in integrated central control functions, with their heads directly reporting to BNP Paribas' CEO.
- Further, for long term incentives, specific risk adjustments may be applied after their awards, generally at their vesting dates at the end of their deferral periods. The remuneration committee of BNP PARIBAS ASSET MANAGEMENT Holding (BNPP AM Holding), the parent entity of BNPP AM business line, reviews all these awards annually, before they are paid out, and oversees that where needed, a malus, i.e. a downward adjustment to account for significant risks or underperformance (e.g. severe financial stress of BNPP AM, cases of individual misconduct, etc.) is applied. Ultimately, such remuneration committee may also apply at its discretion a malus.

In case an event of misconduct is identified after a long term incentive award has been paid out, BNPP AM can resort to commercial terms of its awards (subject to applicable legislation), to recoup (or "claw-back") all or part of such unduly perceived variable remuneration.

For the avoidance of doubt, in case of misconduct, variable remuneration can be reduced to zero.

→ How are the remuneration decisions calculated and taken and how is the remuneration policy governed?

- Remuneration decisions are made by enforcing the BNP Paribas Group's CRP or Compensation Review Process. CRP is a global end-of-year review used to validate every type of compensation. Its collaborative software platform allows the collective and individual performance impacts to be efficiently managed.

It also helps ensure employees receive equal and fair treatment, delegation rules are respected and remuneration decisions are verified by both a manager and HR at every step.

As a significant input to the Compensation Review Process, individual market benchmarks for fixed as well as variable remuneration are used from leading providers (mainly MacLagan and Towers Watson).

- As a rule, BNPP AM has a discretionary approach to its variable remuneration decisions, and implements them systematically via the BNP Paribas Group's CRP. In practice, the bonus pool is determined during the fourth quarter, based on estimates of performance indicators calculated by Finance and HR, in liaison with the business, Risk and Compliance, in the frame of the budgetary cycle.
- Ultimately, the global remuneration policy is designed and overseen by BNPP AM's board of directors and a three-member remuneration committee, who are responsible for ensuring its relevance and effectiveness at all times. This remuneration committee is chaired by one of the two independent directors of the board.

→ Who sits on the BNPP AM Holding remuneration committee and who are the reward decision makers?

The BNPP AM Holding remuneration committee comprises the following directors:

- Hélène Leclerc: independent director, Chairwoman of Remuneration Committee of BNPP AM Holding's board of directors;
- Alain Kokocinski: independent director, Chairman of Audit Committee of BNPP AM Holding's board of directors;
- Jacques d'Estais: Deputy COO BNPP, Head of IFS, President of BNPP AM Holding's board of directors

In addition, the reward decision makers are those listed in Appendix 1.

→ How is the list of Identified Staff determined?

- BNPP AM identifies its staff with a significant impact on the risk profile of their employer or on the portfolios that they manage in a consistent manner across all of its AIFM and/or UCITS³ licenced entities:
 - At management company level, the heads of control functions (notably the heads of risk and compliance) are identified, as well as the board members and the CEO, deputy CEO and the CIOs.
 - At portfolio level, portfolio managers are included in the identified staff, subject to proportionality rules as described below.

Where non-AIFM or non-UCITS entities of BNPP AM are subject to other types of identification of staff requirements, BNPP AM ensures it respects rigorously those local requirements.

→ What specific remuneration policy applies to them?

- Identified Staff have at least 40% of their variable remuneration deferred over three years (with pro-rata annual vesting). This deferral is fully in "remuneration instruments" i.e. in the form of cash indexed on relevant indices:
 - For senior managers (excluding investments and control functions), the index is a weighted average, for 25% on the variation of the total return of a basket of portfolios common to all employees of BNPP AM and for 75%, the variation in BNPP AM's operational result⁴ over the deferral periods (1, 2 and 3 years respectively for each third of the initial award).
 - For portfolio managers, the index is a weighted average for 25%, on the variation of the total return of a basket of portfolios common to all employees of BNPP AM, and for 75%, on the total return of a basket of portfolios representative of the portfolio manager's team activity. All indices are measured over the deferral periods (1, 2 and 3 years respectively for each third of the initial award).
 - For heads of control functions, there is no indexation, to preserve their independence.
- Where the applicable regulations require more than 40% of variable remuneration paid in instruments (typically, 50%), part of the non-deferred remuneration may be paid in retained instruments (ie the same instruments as those deferred, but only held for a period of six months, without vesting conditions).

→ How does BNPP AM implement proportionality?

- In line with general market practice, Identified staff who earn less than 200 000 euros of variable remuneration for their regulated activity (e.g. board directors' fees, junior portfolio managers...) will not be subject to the mandatory thresholds of 40% deferral and 50% in instruments on the entirety of their annual variable remuneration award. Nonetheless, they may still have part of their variable remuneration deferred in instruments (as described above), for strategic retention reasons. Indeed, a firm-wide progressive grid of deferral (100% in instruments as described above) is applied, function of the variable remuneration award's level: 0% until 100k€, 30% between 100k€ and 200k€, 40% beyond 200k€. This grid is implemented for all BNPP AM staff as from March 2019's awards⁵.
- Thus, for Identified Staff, the 40%⁶ regulatory deferral percentage (on the entirety of their annual variable remuneration) replaces the firm-wide progressive deferral grid, when their variable remuneration award exceeds 200k€:

→ What about investment management delegations?

- In order to best leverage on its wide array of investment capabilities, BNPP AM resorts to internal delegations of portfolio management activities. Overall, there is only little use of delegations to asset managers external to BNPP AM. Internal delegations are generally given to other entities of BNPP AM, which are subject to the same BNPP AM Global Remuneration

³ UCITS V identified staff will be subject to remuneration rules as from 1st January 2017 for the first time (i.e. for the 2017 performance year, with the corresponding variable remuneration to be paid or awarded in March 2018).

⁴ Moreover, an additional and conditional indexation (downward-adjusting only), linked to the total excess return of a basket of representative funds, is applied if the operational result has a positive evolution whilst this basket shows significant underperformance.

⁵ taking into account that 2018 is a transition year

⁶ respectively, 60%, when variable remuneration award is above 750k€

Policy. When a delegation is made to an internal entity of BNPP AM which is not subject to AIFMD or UCITS V, BNPP AM ensures that the corresponding identified staff is subject to its BNPP AM Global Remuneration Policy for its AIFM and/or UCITS V entities.

This disclosure of BNPP AM's remuneration policy and practices was prepared by the HR, Compliance, Risk & Operational Risk Control and Legal departments of BNPP AM, and was approved by BNPP AM's management.

The last update of the BNPP AM Remuneration Policy was reviewed by BNPP AM Holding's Remuneration Committee in November 2018, and was approved by BNPP AM Holding's Board of Directors on 28th November 2018.

Wherever local law so requires, the Policy was presented to works councils, regulators, and other stakeholders as may be appropriate.

Appendix 1: Reward decision makers⁷

For BNP PARIBAS ASSET MANAGEMENT France SAS:

Frederic Janbon:	Chief Executive Officer
Emmanuel Boinnot:	Head of Human Resources

⁷ Names & positions are those currently in effect. In case of an evolution, this disclosure will be updated as soon as practically possible, as required by the UCITS & AIFM regulations.