

External Disclosure on BNP Paribas Asset Management's Remuneration Policy, a management company of BNPP IP Group

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 BNPP IP.

→ What are the key principles of BNPP IP'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 IP'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 IP's operating profits (before variable remuneration), allows us to fully align the remuneration of BNPP IP'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 IP 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?

BNP Paribas Investment Partners' 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 generally fully 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 IP'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 IP departments, based on specific key performance indicators.

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

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

- Individual performance is assessed at the end of the year, thanks to a performance rating, based primarily on individual objectives² set at the beginning of the year, for each BNPP IP 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 annual objectives' setting process.

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 is quantitatively measured, adjusted by the excess risk taken (also called "tracking error"). This "information ratio" is measured over one and three years with equal weights.

- For control functions, such as Compliance, Risk, Legal and Permanent 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 BNPP's organisation in integrated central control functions, with their heads directly reporting to BNPP's 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. BNPP IP's remuneration committee reviews all these awards annually, before they are paid out, and may apply at its discretion a malus, i.e. a downward adjustment to account for significant risks or underperformance (e.g. severe financial stress of BNPP IP, cases of individual misconduct, etc.).

In case an event of misconduct is identified after a long term incentive award has been paid out, BNPP IP 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 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

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

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 IP has a discretionary approach to its variable remuneration decisions, and implements them systematically via the BNPP 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. In particular, regarding the funding of long term variable remuneration awards for certain senior investment management executives (i.e. senior portfolio managers and their team heads) BNPP IP uses quantitative indicators to help align their interests with that of BNPP IP and its clients. These are based on net new revenues and performance fees³ generated on the portfolios managed by these teams. The corresponding awards are ultimately made within the CRP, under the same deferral and indexation rules as those otherwise applicable to BNPP IP's identified staff (for portfolio managers, see description further below).
- Ultimately, the global remuneration policy is designed and overseen by BNPP IP'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 its two independent directors.

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

The BNPP IP remuneration committee comprises the following directors:

- H el ene Leclerc: independent director, Chairwoman of Remuneration Committee of BNPP IP's board;
- Alain Kokocinski: independent director, Chairman of Audit Committee of BNPP IP's board;
- Jacques d'Estais: Deputy COO BNPP, Head of IFS, President of BNPP IP's board

The reward decision makers are those listed in Appendix 1.

³ It is worth noting that at client level, so far as performance fees are concerned, BNPP IP always charges less than 30% of the excess performance delivered, as recommended by French Regulator AMF in its position 2012-12.

→ How is the list of Identified Staff determined?

- BNPP IP 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 UCITS⁴ 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 IP are subject to other types of identification of staff requirements, BNPP IP ensures it respects rigorously those local requirements.

→ What specific remuneration policy applies to them?

- In general, Identified Staff have at least 40% of their variable remuneration deferred over three years. This deferral is fully in “remuneration instruments” i.e. in the form of cash indexed on relevant indices:
 - For senior managers, the index is the variation in BNPP IP pre-tax profits over the three year deferral period.
 - For portfolio managers, the index is a weighted average of 25% of the variation in BNPP IP pre-tax profits, and 75% of the total return of a basket of portfolios representative of the portfolio manager’s team activity. All indices are measured over the three year deferral period.
 - For heads of control function, 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 IP implement proportionality?

- In the staff identification process, portfolio managers who manage exclusively funds which are purely passive (e.g., feeders or passive indexed or structured funds) are not considered having an impact on the risk profile of these funds, hence are not retained in the Identified Staff.

⁴ 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).

- In line with general market practice, Identified staff who earn less than 100 000 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. Nonetheless, they may still have part of their variable remuneration deferred in instruments (as described above), for strategic retention reasons.

→ **What about investment management delegations?**

- In order to best leverage on its wide array of investment capabilities, BNPP IP resorts to internal delegations of portfolio management activities. Overall, there is only little use of delegations to asset managers external to BNPP IP. Internal delegations are generally given to other entities of BNPP IP, which are subject to the same BNPP IP Global Remuneration Policy. When a delegation is made to an internal entity of BNPP IP which is not subject to AIFMD or UCITS V, BNPP IP ensures that the corresponding identified staff is subject to its BNPP IP Global Remuneration Policy for its AIFM and/or UCITS V entities.

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

Its first version –reflecting AIFMD requirements- was approved by BNPP IP's board of directors in March 2016.

Its update to reflect current UCITS V requirements, was approved by BNPP IP's Remuneration Committee in November 2016, and was approved by BNPP IP's Board of Directors in December 2016.

Wherever local law so requires, it has been presented to works councils, regulators, and other stakeholders as may be appropriate.

Appendix 1: Reward decision makers⁵

For BNP Paribas Asset Management SAS:

- Frédéric Janbon Chief Executive Officer
- Emmanuel Boinnot Head of Human Resources

⁵ 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.