

Report on Environmental and Social Responsibility 2008



# Contents

Statement from the Chairman and Chief Executive Officer	02
<b>PRESENTATION OF THE BNP PARIBAS GROUP</b>	<b>03-23</b>
Group presentation	04
Key figures	04
History	05
Presentation of business lines	06-23
<b>THE GROUP'S APPROACH TO CORPORATE SOCIAL RESPONSIBILITY</b>	<b>24-32</b>
Responsibility based on core values and guiding principles	25
A strong commitment to sustainable development	25-26
Combining CSR and economic performance	27-29
Recognition from SRI rating agencies	29-30
Organised dialogue with stakeholders	31-32
<b>SHAREHOLDER RELATIONS</b>	<b>33-45</b>
Share capital	34
Changes in share ownership	34
Listing information	35-36
Key shareholder data	37
Creating value for shareholders	37-38
Communication with shareholders	39-40
Shareholder Liaison Committee	40-41
Dividend	41
BNP Paribas registered shares	42
Annual General Meeting	42-45
Disclosure thresholds	45
<b>HUMAN RESOURCES DEVELOPMENT</b>	<b>46-68</b>
Group values underpinning HR management	47
Human Resources policy framework	47-50
Key challenges of human resources management	50-68
<b>RELATIONS WITH CLIENTS AND SUPPLIERS</b>	<b>69-81</b>
Closely-attuned relationships	70-75
Socially Responsible Investment	75-80
Supplier relations	80-81
<b>IMPACT ON THE NATURAL ENVIRONMENT</b>	<b>82-94</b>
Action areas	83-86
Levers	87-89
Means of action	90-94
<b>A PARTNER IN SOCIETY</b>	<b>95-106</b>
A deeper commitment to microfinance	96-98
Projet Banlieues three years on	98-99
BNP Paribas Foundation: imaginative and active support	100-106
<b>CORPORATE GOVERNANCE</b>	<b>107-150</b>
The Board of Directors	108-110
Report of the Chairman on internal control procedures	111-148
Executive Committee	149-150
<b>COMPLIANCE</b>	<b>151-154</b>
Dedicated staff	152-153
Business continuity	154
NRE Appendices - Social chapter	155-159
NRE Appendices - Environmental chapter	160-164
Review Report by one of the Statutory Auditors	165-166
Table of Concordance	167
Glossary	168-174

# Statement

from the Chairman and  
Chief Executive Officer



Over the past 18 months the financial sector has gone through an unprecedented financial crisis, which started in the US and immediately propagated to Europe as a consequence of globalisation and which currently touches all players.

Until last September the crisis concerned mainly speculative transactions like subprime mortgages and securitisation. Therefore BNP Paribas was able to weather the storm thanks to our diligent risk management procedures, our focus on customer service, and an effective, balanced business model backed by a robust retail banking chain.

Since September 2008 and the bankruptcy of a major US bank the crisis grew increasingly violent and far-reaching while a global economic crisis developed. Our investment banking business was battered by extreme market volatility, and BNP Paribas as a whole suffers from the slowing economy and the difficulties met by some of our clients.

In this context, we can observe that we are one of the global banks to best weather the crisis. BNP Paribas generated a sizeable profit in 2008. Our business model is reinforced and our strength renowned as is reflected by our ratings which provide us access to optimal refinancing conditions.

The Banker magazine recognised our solid health by naming BNP Paribas the 2008 Bank of the Year.

Our economic responsibility stems from our culture of managing risks and serving the real economy which constitutes the foundation of our Corporate and Social Responsibility and drives the Group's overall performance:

- BNP Paribas is the only French bank in the FTSE4Good Environmental Leaders Europe 40 Index.
- BNP Paribas is the first bank to receive ISO 14001 certification for over half of its branches in France.
- BNP Paribas is one of the first seven French companies to receive the Diversity label.
- BNP Paribas is the leading French bank in terms of corporate governance (according to Riskmetric-Capitalcom) and the only company that includes non-discrimination in its risk management policy.

During this time of crisis, difficulty and widespread uncertainty, our CSR efforts are being appreciated as never before. This shows our credibility and a renewed confidence from all of our partners and awards our employees' commitment and sensitivity particularly evident during the last Global People Survey which was carried throughout all BNP Paribas business units.

This report on the social responsibility of our company presents our CSR effort and the main initiatives taken in 2008.

Two handwritten signatures in black ink. The signature on the left is 'J. P. P. P.' and the signature on the right is 'P. P. P.'.



# Presentation of the BNP Paribas Group



# Group presentation

BNP Paribas is a European leader in banking and financial services. The Group has one of the largest international banking networks, a presence in over 80 countries and more than 170,000 employees, including 130,000 in Europe. BNP Paribas enjoys key positions in its three activities:

- **Retail banking, which includes the following operating entities:**
  - French Retail Banking (FRB),
  - BNL banca commerciale (BNL bc), Italian retail banking,
  - BancWest,
  - Emerging Markets Retail Banking,
  - Personal Finance,
  - Equipment Solutions;
- **Asset Management & Services (AMS);**
- **Corporate and Investment Banking (CIB).**

**BNP Paribas SA is the parent company of the BNP Paribas Group.**

## Key figures

### Results

	2004 <sup>(*)</sup>	2005 <sup>(**)</sup>	2006 <sup>(**)</sup>	2007 <sup>(**)</sup>	2008 <sup>(**)</sup>
Revenues (in millions of euros)	18,823	21,854	27,943	31,037	27,376
Gross operating income (in millions of euros)	7,231	8,485	10,878	12,273	8,976
Net income Group share (in millions of euros)	4,668	5,852	7,308	7,822	3,021
Earnings per share (in euros) <sup>(****)</sup>	5.51	6.96	8.03	8.49	3.07
Return on equity <sup>(****)</sup>	16.8%	20.2%	21.2%	19.6%	6.6%

(\*) Under French GAAP.

(\*\*) Under International Financial Reporting Standards (IFRS) as adopted by the European Union.

(\*\*\*) Adjusted for the impact of the 2006 rights issue on years 2003 to 2005.

(\*\*\*\*) Return on equity is calculated by dividing net income Group share (adjusted for interest on undated super-subordinated notes deemed equivalent to preferred shares issued by BNP Paribas SA and treated as a dividend for accounting purposes) by average equity attributable to equity holders at 1 January and 31 December of the period concerned (after distribution and excluding undated super-subordinated notes deemed equivalent to preferred shares issued by BNP Paribas SA).

### Long term credit ratings

	31/12/03	31/12/04	31/12/05	31/12/06	31/12/07	31/12/08
Market capitalisation (in billions of euros)	45.1	47.2	57.3	76.9	67.2	27.6

Source: Bloomberg.

### Notations long terme

Standard and Poors: AA, negative outlook – rating revised on 28 January 2009

Moody's: Aa1, negative outlook – outlook revised on 16 January 2009

Fitch: AA, negative outlook – outlook revised on 3 February 2009

# History

## **1966: Creation of BNP**

The merger of BNCI and CNEP to form BNP represented the largest restructuring operation in the French banking sector since the end of the Second World War.

## **1968: Creation of Compagnie Financière de Paris et des Pays-Bas**

### **1982: Nationalisation of BNP and Compagnie Financière de Paris et des Pays-Bas at the time of the nationalisation of all French banks**

In the 1980s, deregulation of the banking sector and the growing tendency of borrowers to raise funds directly on the financial market transformed the banking business in France and worldwide.

## **1987: Privatisation of Compagnie Financière de Paribas**

With 3.8 million individual shareholders, Compagnie Financière de Paribas had more shareholders than any other company in the world. Compagnie Financière de Paribas owned 48% of the capital of Compagnie Bancaire.

## **1993: Privatisation of BNP**

BNP's return to the private sector represented a new start. During the 1990s, new banking products and services were launched and financial market activities were developed. At the same time, the Bank expanded its presence in France and internationally, and prepared to reap the full benefits of the introduction of the euro. Privatisation also significantly boosted the Bank's profitability – in 1998, it led the French banking industry in terms of return on equity.

## **1998: Creation of Paribas**

On 12 May 1998, the merger between Compagnie Financière de Paribas, Banque Paribas and Compagnie Bancaire was approved.

## **1999: A benchmark year for the Group**

Following an unprecedented double tender offer and a stock market battle waged over six months, BNP was in position to carry out a merger of equals with Paribas. For both groups, this was the most important event since their privatisation. At a time of economic globalisation, the merger created a leading player in the European banking sector, poised to compete on a global scale.

## **2000: Creation of BNP Paribas**

Merger of BNP and Paribas on 23 May 2000.

Building on strong banking and financial services businesses, the new Group's objectives, are to create value for shareholders, clients and employees by building the bank of the future and becoming a benchmark player in the global world.

## **2006: Acquisition of BNL in Italy**

BNP Paribas acquired BNL, Italy's 6th-largest bank. This acquisition transformed BNP Paribas, providing it access to a second domestic market in Europe. In both Italy and France, all of the Group's businesses can now draw on a national banking network to develop their activities.

# Presentation of business lines

## Retail Banking

In 2008, BNP Paribas generated 60% of its revenues from retail banking. It has a strong international presence in retail banking, with 4,000 of its 6,000 branches outside France, and 250,000 points of contact with customers in its specialist businesses of Personal Finance and business equipment loans. Retail banking activities employ a total of more than 120,000 people in 52 countries, representing over 70% of the Group's entire headcount.

Retail Banking comprises branch networks in France, Italy, the USA and the emerging markets, together with non-banking services. It is divided into six Operating Units:

- French Retail Banking;
- BNL bc, the branch network in Italy;
- BancWest, the branch network in the USA;
- Emerging Markets Retail Banking;
- Personal Finance, which comprises the specialist consumer credit and mortgage financing businesses;
- Equipment Solutions, dedicated to financing equipment purchases by companies (Arval, BNP Paribas Lease Group).

In early 2009, the Group combined all its retail banking activities into a single organisation, BNP Paribas Retail Banking, with the aim of:

- providing retail banking clients with the benefits of a truly global network;
- industrialising activities, pooling major investments and transferring know-how and innovation between the banking networks and the specialised Personal Finance and Equipment Solutions businesses;
- developing cross-selling between the networks and the specialised retail financing businesses, and with Corporate & Investment Banking and Asset Management & Services;

- promoting the Group's expansion in these businesses, both through acquisitions and organic growth.

To support Retail Banking in its expansion, six central missions have been created to provide operating units with the benefit of their expertise in cross-functional activities and projects:

- Distribution, Markets & Solutions, to promote business development in the Operating Units;
- Retail Banking Development, to oversee the Group's acquisitions in Retail Banking businesses and coordinate benchmarking and strategic intelligence for Retail Banking;
- Retail Banking Brand & Communications, to coordinate internal communications and ensure a consistent brand policy across the whole of Retail Banking;
- US Coordination, to facilitate relations between BancWest and other Group entities;
- Wealth Management Networks, to accelerate growth in the Wealth Management business across the Retail Banking networks;
- Retail Banking HR, to roll out the Group's HR model to all Operating Units and sites, tailored to specific local needs.

This support system has been rounded out by the creation of "Retail Banking Information Systems" within French Retail Banking, which supports the six Operating Units according to their needs. Cash management has also been reorganised on an international basis.



## French Retail Banking

French Retail Banking (FRB) has a client base made up of 6.1 million individual and private banking clients, 500,000 entrepreneurs and small business clients, and 22,000 corporate and institutional clients. The division offers a comprehensive line-up of products and services, ranging from current account services to the most complex financial engineering services in the areas of corporate financing and asset management.

The French Retail Banking Division network has been strengthened with a view to enhancing local coverage and client service. As at 31 December 2008, it consisted of 2,200 branches, of which 1,100 had been updated with the new "Welcome & Services" concept, and 5,200 cash dispensers. As such, the network is now more compatible with a multi-channel organisational structure. FRB focuses on regions with strong economic potential and has a 15% market share in the Paris region <sup>(1)</sup> FRB also has a strong presence in the most attractive segments of the personal banking market – 22% of households with net annual revenues in excess of EUR 82,000 have their main bank account with BNP Paribas <sup>(2)</sup>. It also has a leading position in business banking.

The French Retail Banking Division employs 31,000 people working in the BNP Paribas branded branch network, Banque de Bretagne, BNP Paribas Factor, BNP Paribas Développement, a provider of growth capital, and Protection 24, a telesurveillance firm.

To improve its response to client needs, French Retail Banking has reorganised its sales structure on the basis of network segmentation. The division is now made up of branches serving individuals and small businesses, Private Banking Centres, and Business Centres, all supported by a Client Relations Centre (CRC) and back offices in charge of after-sales operations.

In parallel, the division has continued actively expanding the personal banking business, drawing on the multi-channel structure (branch, telephone and online banking) that was rolled out from 2002. The underlying aim of these changes is to offer clients the highest standard of service and to step up the role of in-branch client advisers. The Client Relations Centre's three platforms in Paris, Orleans and Lille deal with calls made to the branches and process client e-mails.

In 2008, the NetÉpargne area of the BNP Paribas.net website was set up to inform customers and enable them to apply for savings accounts and life insurance products. A contact centre dealing with mortgage requests in less than 48 hours was also set up (Net Crédit Immo).

The new workstations operated by the client advisers are geared to managing client relations within a multi-channel framework.

As such, they represent the very heart of the system, whose effectiveness has been clearly proved after several years of use.

In addition, FRB has the largest network of Private Banking Centres in France <sup>(3)</sup> with 218 units conveniently located across the country.

The new business approach adopted for business clients led to the emergence at the end of 2005 of a structure that is unique in the French banking sector. This new organisation is based on 26 Business Centres located throughout the whole of France, as well as a professional assistance service – Service Assistance Entreprise (SAE) – and Cash Customer Services (CCS).

Finally, the division is reengineering its back offices into Production and Sales Support Branches (PSSBs). Specialised by type of transaction, they span the whole of France and have fully integrated information systems. At end-2008, 76 specialist centres were in charge of transaction processing.

<sup>(1)</sup> SBNP Paribas FRB 2007 marketing research, market share based on number of counters.

<sup>(2)</sup> Source: Ipsos 2006.

<sup>(3)</sup> Source: internal data.





ROME



ROME

## BNL banca commerciale

BNL banca commerciale (BNL bc) – ranking 6th in terms of total assets <sup>(1)</sup> – is one of the major players in the Italian banking and financial system, which is fully integrated in the European market and nowadays includes intermediaries of international stature as a result of the consolidation process in recent years.

BNL bc offers a wide and complete range of banking, financial and insurance products and services, from traditional ones to the more innovative, structured to satisfy, under a strictly segmented offering approach, all kinds of requirements of its considerable client base, represented by:

- around 2.5 million individual clients and 12,000 private clients (family groups);
- over 119,000 small businesses (turnover < 5 millions of euros);
- around 30,000 medium and large enterprises;
- 16,000 local authorities and non-profitable entities.

In the course of 2008 the introduction of a reviewed client segmentation criteria has led to two notable changes: (i) clients with a turnover between 1.5 and 5 million euro, previously managed as medium-sized enterprises, have migrated to small business coverage; (ii) private clients are no longer counted as individual relationships but grouped according to family nucleus.

In the Retail & Private business, BNL bc reaches a significant positioning in lending (especially on residential mortgages, with a market share of over 6% <sup>(2)</sup>), while consolidating a deposits' market share (around 3.5% <sup>(2)</sup>) well ahead of its network penetration (2.3% <sup>(2)</sup>) of the System in terms of number of branches).

Another point of strength of BNL bc is represented by the relations with Corporate and Local Authorities, where it boasts an average market share in the region of 5% <sup>(2)</sup> and 7% respectively, with a market-recognised focus on cross-border payments, project and structured financing and factoring (the specialised subsidiary Iitalia ranks 3rd <sup>(3)</sup> in Italy in terms of credit outstanding).

To maximise its commercial franchise, BNL bc has deployed a distribution model designed to increase direct contact with clients, enhance the central role and flexibility of the sale network, improve the communication of commercial policies for both innovative and traditional products. In the framework of a multi-channel distribution approach, the network is organised under five regions ("direzioni territoriali") with a differentiated structure for the retail and the corporate business:

- 125 retail districts with nearly 750 retail agencies;
- 27 private banking centres;
- 21 corporate business centres with 51 corporate branches managing SME, Large Corporate and LAPS (Local Authorities Public Sector) portfolios.

Moreover, 5 Trade Centres are fully operational in Italy, offering enterprises a platform of products, services and solutions for cross-border activities and complementing BNP Paribas' international network which operates in 55 countries with 85 other centres. In parallel, the network of Italian Desks to assist Italian enterprises operating abroad and multinational groups with direct investments in Italy has been expanded to cover 12 countries, mainly in the Mediterranean area.

<sup>(1)</sup> Source: internal estimates based on published financial information as of 30 September 2008.

<sup>(2)</sup> Source: Bank of Italy statistics as of 30 September 2008.

<sup>(3)</sup> Source: Assifact as of 30 September 2008.



The multi-channel offering is completed by self-service positions (over 1,450 ATM and 20,000 POS – Points Of Sale with retailers), phone banking and e-banking for both retail and corporate clients.

Complementary to the organisational set-up are specialised local back-office units at

regional level, which are closely interfaced with the distribution network, and operate on the basis of a model centred on boosting customer satisfaction, both internal and external, by providing high-quality and efficient services and ensuring an improved management of operating risk.

## BancWest

In the United States, the retail banking business is conducted through BancWest Corporation, a company formed out of the 1998 merger between Bank of the West and First Hawaiian Bank, wholly-owned by BNP Paribas since the end of 2001. BancWest has completed a number of acquisitions since that date, the latest being Commercial Federal Corporation in December 2005.

Bank of the West offers a very large range of retail banking products and services to individuals, small businesses and corporate clients in 19 states in western and mid-western America. It also has strong national positions in certain niche lend-

ing markets, such as Marine, Recreational Vehicles, Church Lending, Small Business and Agribusiness.

With a market share of almost 40% in deposits <sup>(1)</sup>, First Hawaiian Bank is Hawaii's leading bank, offering banking services to a local clientele of private individuals and companies.

In total, with close to 11,800 employees, 742 branches and total assets of almost USD 80 billion at 31 December 2008, BancWest currently serves some 5 millions client accounts. It is now the 6th-largest bank in the western United States by deposits <sup>(1)</sup>.

<sup>(1)</sup> Source: SNL Financial, 30 June 2008.

## Emerging markets retail banking

Emerging Markets Retail Banking now operates in 38 sites, covering the Mediterranean belt (795 branches), the Near & Middle East (62 branches), Africa (81 branches), Eastern Europe (950 branches) and French overseas departments & territories (60 branches).

Across all these regions, the business line gathers a total network of 1,948 branches, more than 4.7 million individual, small business and corporate clients, and more than 30,000 employees.

Business also operates in Asia through two partnerships with local banks, totalling 64 branches in China and 65 in Vietnam.

Since 2004, business has been developed very quickly: branches have been multiplied by 6, number of clients by 4. Operations have also been set up in 10 new countries since the end of 2004,

through acquisitions (Turkey and China in 2005, Ukraine in 2006, Vietnam and Libya in 2007) and organic development (Saudi Arabia, Kuwait, Israel, Mauritania and Russia).

As a consequence of this huge change, regional platforms have been created, and a new commercial strategy focusing on individuals and small and medium-sized companies has been launched recently.

Thanks to a strong client portfolio growth, these networks represent a single distribution platform for all the Group's operating entities: partnerships with Personal Finance in Turkey, Ukraine, Algeria, Morocco, and China; distribution of CIB financial structured products, development of CIB Trade Centers in many sites, creation of a joint-venture with Wealth Management.





CASABLANCA

## Personal Finance

BNP Paribas Personal Finance: a new dimension in personal finance

On 1 July 2008, BNP Paribas Personal Finance was formed, housing the Group's worldwide activities in consumer finance, mortgages and loan consolidation. With 29,000 staff in 30 countries and 4 continents, BNP Paribas Personal Finance leads the French and European Personal Finance markets <sup>(1)</sup>. Its aim is to help customers fulfil their plans, from the smallest purchase up to buying their home, while complying with its commitment to "responsible lending".

European number one and global player <sup>(1)</sup>

BNP Paribas Personal Finance's aim is to help customers fulfil their plans, subject to their debt capacity. BNP Paribas Personal Finance is Europe's leading multi-specialist Personal Finance player, with a comprehensive range of solutions available at the point of sale (stores, car dealerships), through authorised business providers (brokers, estate agents, property developers) and directly via the internet and its customer relations centres. As a global player, BNP Paribas Personal Finance is aiming to be one of the world's Top 5 consumer finance providers.

A socially responsible global player

In the tough economic conditions of late 2008, the commitment to social responsibility is even more important for BNP Paribas Personal Finance and its Cetelem trading brand.

Its approach is based on four main pillars:

### Lend responsibly

The aim is to promote access to credit across the widest possible number of people, while avoiding over-indebtedness. In France, BNP Paribas Personal Finance, under its Cetelem brand, reports annually on its four responsible lending indicators: refusal rate, percentage of loans with no payment incident, percentage of loans paid off entirely, and risk rate as a percentage of outstanding loans.

In 2008, these indicators were extended to the mortgage business.

### Protect the environment

BNP Paribas Personal Finance's "Oxygen" programme, introduced in October 2007, aims to motivate employees and customers. Since the programme was launched, five initiatives have been developed, exemplified by the French carbon audit. For current and prospective customers, BNP Paribas Personal Finance has launched, under the Cetelem brand, products aimed at financing photovoltaic panels, in partnership with EDF ENR.

### Help the helpers

Through the Cetelem Foundation, BNP Paribas Personal Finance is helping to develop microcredit and supports various humanitarian and social charities: ATD Quart Monde, Secours Populaire Français, Secours Catholique, FACE (Fondation Agir Contre L'Exclusion), SNC (Solidarités Nouvelles face au Chômage), Adie (Association pour le Droit à l'Initiative Economique), AGIRabcd, Cash de Nanterre, Réussir Aujourd'hui.

### Promote diversity

BNP Paribas Personal Finance knows how to carry out and facilitate change. To enable every member of staff to continue sharing its ambitious plans, human resources is one of its top priorities.

<sup>(1)</sup> Source: annual reports of consumer finance companies.



# Equipment Solutions

Equipment Solutions uses a multi-channel approach (direct sales, sales via referrals or via partnerships) to offer corporate and business clients a range of rental solutions specific to each asset market, from financing to fleet outsourcing.

Equipment Solutions offers its end users and business providers the opportunity to outsource the credit, market or technical risks associated with corporate assets.

Equipment Solutions consists of three International Business Lines (IBL<sup>(1)</sup>) organised around assets and specially developed rental solutions:

- the passenger car and light commercial vehicle IBL managed by Arval, dedicated to operational leasing;
- the Technology Solutions IT, telecom and office equipment IBL run jointly by BNP Paribas Lease Group, specialised in equipment financing, and Arius, specialising in the leasing and management of IT equipment;
- the Equipment&Logistics Solutions IBL, covering construction, farming and transport equipment, which is run by specialists at BNP Paribas Lease Group and Artegy, dedicated to operational leasing for industrial vehicles.

Commercial real estate and other assets are managed by the local entities of BNP Paribas Lease Group

Despite the deteriorating economic and financial environment, the Equipment Solutions business has maintained firm commercial impetus. Aside from real estate financing, the Equipment Solutions business ranks no.1 in Europe in terms of both outstandings and new business<sup>(2)</sup>.

In 2008, Arval's commercial activity remained very strong, with 210,000 new cars registration (up 17%/2007).

At end-2008, Arval leased a total of 602,000 vehicles, an increase of 12% during the year, and its total managed fleet comprised 688,000 vehicles. In terms of the leasing fleet, Arval leads the French market<sup>(3)</sup> and ranks 2nd in Europe<sup>(4)</sup>. BNP Paribas Lease Group arranged 248,000 financing deals, taking its loans outstanding to EUR 21 billion.

<sup>(1)</sup> IBL = International Business Lines.

<sup>(2)</sup> Source: Leaseurope 2007.

<sup>(3)</sup> Source: SNLVLD 2007.

<sup>(4)</sup> Source: internal data.



## Asset Management & Services

Asset Management & Services (AMS) provides a unique range of solutions to meet all the needs of institutional, corporate and retail investors.

AMS houses the all Bank's expertise in the highly buoyant markets of gathering, managing, protecting and administering its clients' assets, savings and wealth:

- Asset Management (BNP Paribas Investment Partners);
- Insurance (BNP Paribas Assurance);
- Wealth management (BNP Paribas Wealth Management Networks and BNP Paribas Wealth Management International);
- Savings and online brokerage (BNP Paribas Personal Investors);
- Securities services (BNP Paribas Securities Services);
- Real estate services (BNP Paribas Real Estate).

In 2008, each AMS business was a leader in its market.

AMS operates in 64 countries and employs almost 25,000 people of more than 70 different nationalities. It continues to expand its international reach, mainly in Europe, Asia and the Middle East, through new operations, acquisitions, joint ventures and partnership agreements.

AMS takes a client-focused, future-oriented approach and innovates continuously to provide the best products and services whilst maintaining the highest standards of sustainable development.

### BNP Paribas Investment Partners

BNP Paribas Investment Partners combines all the Asset Management businesses of BNP Paribas.

A single platform providing simplified and immediate access to a vast range of specialised partners, BNP Paribas Investment Partners is one of the biggest names in Asset Management in Europe <sup>(1)</sup>. At 31 December 2008, BNP Paribas Investment Partners had EUR 305 billion of assets under management <sup>(2)</sup>, almost half of which was managed for institutional investors.

With 2,200 professionals serving clients in more than 70 countries, BNP Paribas Investment Partners draws on more than half a century of experience in Asset Management and has enjoyed strong growth over the last decade, punctuated by targeted acquisitions and the creation of joint ventures. This solid development reflects a clear multi-specialisation strategy and a partnership approach which has enabled BNP Paribas Investment Partners to consistently enrich its product and service offering with the support of companies that are experts in their particular field.

BNP Paribas Investment Partners is present in the major financial centres, including Paris, London, New York, Tokyo and Hong Kong. It also has first-rate knowledge of new markets thanks to its teams in Brazil, South Korea, China, India, Morocco, Turkey and Saudi Arabia. With 360 client relationship managers in 32 countries, BNP Paribas Investment Partners has a local presence that ensures close ties with its clients.

<sup>(1)</sup> Source: Watson Wyatt rankings at end-December 2007, "The World's 500 Largest Asset Managers".

<sup>(2)</sup> Including assets under advisory.



U004

## Assurance

BNP Paribas Assurance designs and sells products and services under two brands: BNP Paribas for products distributed by the BNP Paribas branch network in France, and Cardif for other networks and distribution partners in France and abroad.

It operates in 41 countries including 25 in Europe, 7 in Asia, 6 in Latin America, 2 in North America and 1 in Africa.

- The savings business includes the sale of life insurance policies to individuals in some ten countries. In France, it also provides companies with Group pension, end-of-career bonus and early retirement benefit contracts.
- In the protection business, it offers a broad range of products in many countries, including creditor insurance, bill protection, credit card protection, extended warranty, gap insurance and individual protection. In France, BNP Paribas Assurance markets both standard and personalised Group policies to large companies and SMEs.
- Property and casualty insurance in France is provided through Natio Assurance, a company owned equally with AXA. The products offered cover a wide range of risks and include comprehensive home insurance, automobile insurance, educational insurance, travel insurance, and legal protection coverage.

BNP Paribas Assurance's partners comprise 35 of the world's 100 leading banks plus a large number of financial institutions, including consumer credit companies, credit subsidiaries of car makers and major retail groups. BNP Paribas Assurance is France's 4th-largest life insurer <sup>(1)</sup> and is the world leader in creditor insurance <sup>(2)</sup>.

## Wealth Management

In 2008 BNP Paribas rebranded its private banking business BNP Paribas Wealth Management, a more accurate reflection of the universal dimension of its private banking client relationships. It also carries a guarantee of security by being part of a strong global banking group, together with an ability to innovate and offer new investment techniques and products.

BNP Paribas Wealth Management provides high value-added products and services designed to meet the needs of a sophisticated clientele. The wealth management offering includes:

- estate planning services including estate organisation and advice on asset ownership methods;
- financial services: advice on asset allocation, investment products, securities and discretionary portfolio management;
- expert advice in specific fields such as art and real estate.

Wealth Management (WM) has been reorganised into two business lines: Wealth Management Networks (WMN) and Wealth Management International (WMI). WMN's role is to develop the wealth management business in countries where the Bank has a retail client base. WMI's role is to develop the wealth management business in other markets where the Bank wants to gain a foothold or strengthen its existing position, by working closely with CIB and through partnerships or acquisitions.

Both business lines draw on the expertise of WM's support teams, for both financial and wealth management services and diversification activities, particularly philanthropy. Wealth Management also has an open-architecture offering. It sources solutions from the Group's other businesses (Asset Management, Securities Services, Insurance, Corporate Finance, Fixed Income, Equity Derivatives, etc.), as well as external providers.

<sup>(1)</sup> Source: FFSA.

<sup>(2)</sup> Source: in-house study based on information published by competitors.



In order to strengthen their ability to attract and advise the world's largest fortunes, WMI and WMN have created a "Key clients" unit responsible for global coverage of this segment.

BNP Paribas Wealth Management is the world's 6th private bank and is ranked no.4 in Western Europe <sup>(1)</sup> with almost EUR 141 billion in client assets at year end 2008 and over 4,400 professionals in thirty countries. It ranks no.1 in France <sup>(1)</sup> with EUR 56 billion of assets under management. The network comprises 219 private banking centres covering the whole of France and a dedicated wealth management department for clients with more than EUR 5 million of assets.

### Personal Investors

BNP Paribas Personal Investors provides independent financial advice and a wide range of investment services to individual clients. This business line brings together three major players:

- **Cortal Consors**, Europe's leading online savings and brokerage player for individuals <sup>(2)</sup>, offers personalised investment advice and online trading services in five European countries: Germany, France, Spain, Belgium, and Luxembourg. Cortal Consors offers clients its investment advisory experience through several channels – online, telephone or face to face. Its broad range of independent products and services includes short-term investment solutions, mutual funds and life insurance. The range is supported by leading-edge online brokerage technology;
- **B\*capital**, a brokerage firm, specialises in personalised advice on securities and derivatives as well as discretionary management for affluent clients. It provides clients with direct access to all markets, financial analysis, personalised portfolio advisory and portfolio management services;

- **Geojit** is one of the leading retail brokers in India. It provides brokerage services for equities, derivatives and financial savings products (funds and life insurance). Geojit also operates in the United Arab Emirates, Saudi Arabia, Oman, Bahrain and Kuwait, where it targets a principally non-resident Indian clientele. BNP Paribas is its main shareholder.

At 31 December 2008, BNP Paribas Personal Investors had 1.64 million clients and EUR 25.4 billion of assets under management, with 34% in equities, 35% in savings products or mutual funds and 31% in cash. BNP Paribas Personal Investors employs over 4,100 people.

The goal of BNP Paribas Personal Investors is to provide personal, independent investment advice and to strengthen its leading position in Europe and in emerging markets with strong savings potential.

### BNP Paribas Securities Services

**BNP Paribas Securities Services** is the eurozone's leading securities services provider <sup>(2)</sup>. The bank operates across the entire investment cycle, providing post-trade administration solutions to buy-side and sell-side financial institutions as well as corporates and issuers:

- sell-side clients (banks, broker-dealers, investment banks, market infrastructures) are offered customised services for clearing and settlement and global custody for all asset classes as well as outsourcing solutions for middle and back office activities;

<sup>(1)</sup> Source: Euromoney 2009 ranking.

<sup>(2)</sup> Source: in-house study based on information published by competitors.





- buy-side clients (asset managers, alternative fund managers, sovereign wealth managers, insurance companies, pension funds, fund distributors and promoters) have an array of custodian and fund administration services, including fund distribution support, transfer agency services, depository bank and trustee service, fund accounting, middle-office outsourcing and risk and performance measurement;
- corporates and issuers (originators, arrangers and corporations) are provided with a wide range of services including administrative services, securitisation as well as stock-option and employee-shareholder plan management.

## BNP Paribas Real Estate

BNP Paribas Real Estate employs 3,400 staff and is a leading provider of real estate services to companies <sup>(1)</sup> in Continental Europe, and is a major player in residential real estate in France <sup>(1)</sup>.

The offering comprises a range of skills and is unrivalled in Europe, both in terms of its geographical reach and the diversity of its business offerings.

The unit serves companies, investors, local authorities, property developers and individuals.

### International network

In commercial real estate, BNP Paribas Real Estate serves customers in 25 countries worldwide:

- it has a direct presence through 80 units in 13 countries, i.e. Germany, Belgium, Spain, France, Ireland, Italy, Jersey, Luxembourg, the UK, Romania, Bahrain, Dubai and India, along with a representative office in New York;
- it operates in a further 12 countries through alliances with local partners.

In residential real estate, BNP Paribas Real Estate's main activity is in France.

### A variety of skills in six complementary real estate business lines

#### ■ Transactions

In commercial real estate, BNP Paribas Real Estate markets properties including offices, business premises and retail units, and ranks no.1 in France, Germany and Luxembourg <sup>(1)</sup>.

In residential real estate, its 27 branches in France represent one of the leading networks for selling new and existing residential properties.

#### ■ Advisory

In commercial real estate, BNP Paribas Real Estate advises clients to help them put together real estate projects, design and build working premises, optimise their real estate assets and so forth.

#### ■ Valuation

BNP Paribas Real Estate values all types of real estate, including offices, retail units, hotels, warehouses and land, using international standards defined in the International Valuation & Accounting Standards and the RICS Red Book.

#### ■ Property development in France and Italy

BNP Paribas Real Estate is one of France's leading real estate developers, and ranks 2nd in commercial real estate <sup>(2)</sup>.

#### ■ Investment Management Department

BNP Paribas REIM, BNP Paribas REIS and BNL Fondi Immobiliari manage EUR 8 billion of real estate assets in France – where it is one of the leading non-trading property investment trust (SCPI) managers – Italy and the UK.

#### ■ Property Management

BNP Paribas Real Estate Property Management manages 24 million sq.m. of commercial real estate in Europe, including almost 12 million sq.m. in France where it is the market leader <sup>(3)</sup>.

In residential real estate, it manages almost 29,000 housing units in France, including more than 5,500 units in serviced residences.

<sup>(1)</sup> Source: internal data

<sup>(2)</sup> Source: "Classement des promoteurs" published by Innovapresse in June 2008.

<sup>(3)</sup> Source: internal data.

# Corporate and Investment Banking

BNP Paribas Corporate & Investment Banking (CIB) employs 17,000 people across 53 countries. CIB provides financing, advisory and capital markets services, and accounts for 18% of Group revenues.

BNP Paribas CIB is a globally recognised leader in two areas of expertise: derivatives on all asset classes, and structured financing. BNP Paribas CIB also has a solid corporate advisory network in Europe and Asia, and has been expanding in emerging market countries for many years.

BNP Paribas CIB has 14,000 clients, consisting of companies, financial institutions, investment funds and hedge funds. They are central to BNP Paribas CIB's business model. Staff's main aim is to develop and maintain long-term relationships with clients, to support them in their investment strategy and meet their financing and risk management needs. More than 9,000 relationship managers work with these 14,000 clients, offering a wide range of services to enhance their strategy, supported by experts in BNP Paribas CIB's various business areas.

BNP Paribas CIB has a presence on all continents, and provides clients worldwide with a global perspective and a pioneering spirit, adapting solutions to suit local conditions.

BNP Paribas CIB benefits from the Group's large asset base and diverse business model, and is proving relatively resilient against the economic and financial crisis that has been affecting the banking sector for the last 18 months.

Although it has been affected, particularly by the market crisis in late 2008 following the failure of Lehman Brothers, BNP Paribas CIB has remained the world's no.2 corporate and investment banking unit in terms of profitability (24) since the sub-prime crisis broke. BNP Paribas CIB has received numerous industry awards. These

awards recognise the esteem in which it is held by market operators, both clients and competitors, together with its professionalism and the excellent quality of its franchises. These awards include:

- Best Investment Bank in France - Euromoney – July 2008;
- Most Innovative in Islamic Finance - The Banker – October 2008;
- Global Loan House - IFR – December 2008;
- Structured Products House of the Year - Risk Magazine – January 2009;
- Equity Derivatives House of the Year 2009 - Risk Magazine - January 2009 and IFR Magazine – December 2008;
- Euro Bond House - IFR – December 2008;
- Inflation Derivatives House of the Year - Risk Magazine – January 2009;
- Best Commodity and Energy Finance Bank - Trade Finance Magazine – June 2008;
- World's Best Global Bank in Trade Finance - Global Finance – August 2008.

## CONFIRMED LEADERSHIP IN FINANCING ACTIVITIES IN 2008

### Structured Finance

Structured Finance (SF) operates in the area where lending and capital markets activities meet. It designs customised financing products for a global clientele. SF operates in over 30 countries, with more than 1,600 experts worldwide, and manages the full financing process including origination, structuring and execution of the structured debt, and syndication. Despite adverse market conditions, 2008 was an exceptional year, with excellent results.

SF is a leading player in the following business areas:

<sup>(1)</sup> Source: BNPP CIB, cumulative pre-tax income since July 2007.



- **energy and commodity financing:** this business specialises in financing companies operating in energy and commodities (oil, gas, metals and softs), providing short-term financing suited to all phases from production to the final buyer, along with longer-term financing structured around the natural resources being produced;
- **asset financing** provides a broad range of products for the financing of non-current assets, i.e. real estate financing, aircraft and maritime financing and export financing. It also develops innovative leasing structures;
- **leveraged financing and project financing** provide long-term funding for projects whose revenues depend on future cash flows. These activities also cover refinancing and restructuring, along with leveraged debt repurchasing. The business also includes financing in the media and telecoms sectors;
- the **corporate acquisition finance** teams arrange and provide medium- and long-term facilities to fund strategic acquisitions, either through private deals or through public tender offers;
- finally, the **Syndication and Trading** teams cover all of the Group's syndicated loan activities worldwide. They set prices and syndicate the debt of BNP Paribas clients among other banks and institutional investors. This business also includes insurance services, covering financing providers against strategy and credit risks through the private insurance market.

Once again in 2008, Structured Finance won a number of awards acknowledging the excellence of its staff and the quality of its service:

- Global Loan House - IFR - December 2008;
- EMEA, Asia Pacific & Latam Loan House - IFR – December 2008;

- Syndicated Loan House of the Year - Financial News – December 2008;
- Best Energy Commodity Finance Bank - Trade Finance Magazine – June 2008;
- Energy Finance House of the Year - Energy Risk – June 2008;
- Global Adviser of the Year - Project Finance International (published by Thomson Reuters) – January 2009;
- Aircraft Leasing Innovator of the Year - Jane's Transport Finance – December 2008;
- Ship Financier of the year - Lloyd's List – April 2008;
- No.1 Bookrunner of EMEA Syndicated Loans - Bloomberg – full year 2008, published in January 2009;
- No.1 MLA of all Export Credit Agencies backed transactions - Dealogic – full year 2008 published in January 2009;
- No.2 MLA of global project finance loans - Project Finance International (Thomson Reuters) – full year 2008 published in January 2009;
- No.1 Bookrunner of EMEA acquisition/demerger finance by number of deals and No.2 by volume - Thomson Reuters – full Year 2008 published in January 2009.

### Corporate & Transaction Group

Corporate & Transaction Group (CTG) combines all of BNP Paribas CIB's flow product activities within a single unit. This gives customers a comprehensive, integrated service combining product expertise with dedicated sales staff.

CTG's sales force consists of around 220 professionals worldwide, and its goal is to meet all of its clients' needs through a broad range of products spanning Trade Finance, Cash Management and plain-vanilla fixed-income products.



PARIS

In Trade Finance, CTG has a network of 90 Trade Centers housing 250 award-winning specialists: once again in 2008, BNP Paribas was named the “World’s Best Global Bank in Trade Finance” by Global Finance (August 2008) and no.2 Mandated Arranger of Global Trade Finance Loans (Dealogic – full Year 2008, published in January 2009).

Our Cash Management business operates in 59 territories, employing 120 experts, and provides cash flow and Cash Management services to international companies. These services are supported by leading-edge technologies, and provide broad geographical coverage. Our international offering had a Top 10 ranking in the Euromoney 2008 poll.

Advisory and capital markets: affected by the capital markets crisis in 2008

### Corporate Finance

Corporate Finance offers advisory services for mergers and acquisitions and primary equity capital market transactions. The M&A teams advise both buyers and targets and also offer advice on other strategic financial issues, such as privatisations. Primary capital market services include flotations, equity issues, secondary issue placements, and convertible/exchangeable bond issues. Corporate Finance employs almost 400 professionals in a global network, combining the skills of sector, geographical and product specialists. The business is mainly focused on Europe and Asia. In the last two years, BNP Paribas CIB has also developed its presence in Russia, Middle East and Latin America. For the fourth consecutive year, BNP Paribas CIB ranked no.1 in the French M&A advisory market in 2008 <sup>(1)</sup>. In the same survey, it ranked among the world’s Top 10 banks for the first time, and was no.9 in Europe (M&A - deals announced), confirming its international development while maintaining its leadership in

France. As regards primary equity deals, BNP Paribas CIB ranked 10th in Europe in the Thomson Reuters survey (full Year 2008, published in January 2009).

Corporate Finance also won various awards in 2008, showing its excellence in its two main markets of Europe and Asia:

- “France M&A Adviser of the Year” and “Iberia M&A Adviser of the Year”, Acquisitions Monthly – December 2008;
- “Financial Advisor of the year for France”, FT Mergermarket December 2008;
- “Rising Star M&A House” and “Best Mid Cap Equity Issue” in Asia, The Asset December 2008.

### Global Equity & Commodity Derivatives (GECD)

BNP Paribas CIB’s Global Equities & Commodity Derivatives (GECD) division has three complementary business lines: commodity derivatives, BNP Paribas Securities Asia and equity derivatives.

The **commodity derivatives teams** provide comprehensive commodity risk management solutions. With around 180 staff across 6 international trading platforms, teams operate both in organised and OTC markets. The Futures team acts as an intermediary for clients, providing execution, clearing and margin financing services for contracts traded in the main European, American and Asian commodity markets. The OTC team provides a market-making service suited to client requirements, acting as a swaps and options counterparty for bilateral trades. The team covers all industrial commodities (metals, energy, softs) and new markets such as carbon emissions rights and freight.

**BNP Paribas Securities Asia** provides institutional investors with a comprehensive range of research, execution and service distribution for Asian equities and equity derivatives in Asia. BNP Paribas Securities Asia’s staff are based mainly in Hong Kong and cover the whole of Asia, particularly China, Japan, India,

<sup>(1)</sup> Source: Thomson Reuters, full year 2008, published in January 2009.





SINGAPORE

South Korea, Taiwan and Southeast Asia (Singapore, Indonesia, Malaysia and Thailand). Overall, the unit has more than 250 staff working in the secondary markets and providing a distribution platform for the primary and derivatives markets.

BNP Paribas CIB's **equity derivatives** business line encompasses research, structuring, trading and sales of equities, equity derivatives, indices and funds. With some 1,500 front-office staff based across five core platforms, the business line is active on both the primary and secondary markets: Paris, London, Tokyo, Hong Kong and New York. Equity derivatives products are aimed at financial institutions, hedge funds, companies and individuals in more than 60 countries. GECD is a leading player in structured products <sup>(1)</sup>. In the last few years it has also developed a complete range of flow products that address client needs as regards financing, indexation, leveraged borrowing, coverage and market access. Through its in-house skills in product design, along with the large resources dedicated to developing products incorporating new strategies, the equity derivatives business offers innovative solutions tailored to the needs of clients in all market environments.

BNP Paribas' skills in equity derivatives are shown by the numerous awards it has won:

- Structured Products House of the Year - Risk Magazine – January 2009;
- Equity Derivatives House of the Year - Risk Magazine – January 2009;
- Most Innovative in Equity Derivatives - The Banker – October 2008;
- Equity Derivatives House - IFR – December 2008.

More recently, GECD has strengthened its position in the USA, acquiring the equity prime brokerage business of Bank of America. This now enables it to offer a wide range of services to US hedge funds and mutual funds. The deal gave GECD an additional 500 clients and 300 staff.

### **Fixed Income, Foreign Exchange and Credit activities**

BNP Paribas CIB's fixed income, forex and credit business line is a major provider of global solutions in these areas. Its talented team has built a large global client base. The business line covers a broad range of products and services, including origination, syndication, trading, sales, structuring and research. It has acquired a reputation for excellence in all asset classes.

The business model is client-centric: teams of dedicated experts meet the needs of clients (pension funds, investment funds, central banks, corporations, insurance companies, governments and supranational organisations) in areas such as bond issues, interest rate, forex and credit derivatives and structured products. In 2008, BNP Paribas CIB ranked among the Top 10 bookrunners for global bond issues <sup>(2)</sup> and no.2 bookrunner for euro-denominated bond issues <sup>(2)</sup>

The unit's fixed-income, forex and credit specialists also offer a full range of research products and services underpinning its client-focused approach, with research analysts available for one-on-one client support. They also produce an extensive array of research notes and reports that are available through a variety of channels, including the Global Markets web portal. Research methods are underpinned by pioneering quantitative techniques delivered by a group of world-class experts.

<sup>(1)</sup> Source: Risk Magazine, January 2009.

<sup>(2)</sup> Source: Thomson Reuters, Full year 2008, published in January 2009.



NEW YORK

League tables show BNP Paribas' strength in this area: "no.3 for Overall Investment Grade Research" and "no.1 for Utilities" in the Euromoney Fixed Income research poll 2008 and "no.3 Globally for Issuer Research" in the Euromoney Primary debt poll 2008.

This global network allows the unit to provide clients with a complete range of tailor-made services on a global scale across a broad range of markets and currencies. With headquarters in London, five other trading floors in Hong Kong, New York, Paris, Singapore and Tokyo, and additional regional offices throughout Europe, the Americas, the Middle East and Asia-Pacific, the fixed income, forex and credit business employs around 1,900 professionals globally.

In 2008, the fixed income and forex business not only consolidated and improved its rankings across the full range of activities and regions, but also broke new ground in several areas, as demonstrated by a number of prestigious awards received from leading industry publications:

- Bond bookrunner in all currencies and segments (full year 2008, published in January 2009):
  - No.2 for all Euro-denominated (5 in 2007) – IFR,
  - No.3 for all Swiss-franc-denominated (3 in 2007) – IFR,
  - No.6 for all Sterling-denominated (8 in 2007) – IFR,
  - No.4 for all Covered bonds, all currencies (4 in 2007) – IFR,
  - No.4 for all Global and Euromarket yen (8 in 2007) – IFR;
- Derivatives and structured products:
  - Inflation Derivatives House of the Year – *Risk* 2009, January 2009;
  - Structured Products House of the Year – *Risk* 2008, January 2009;
  - Best Credit Derivatives House – *Euromoney* 2008, July 2008;
  - Interest Rates House of the Year – *Structured Products Europe* 2008, November 2008.

# BNP Paribas Principal Investments

BNP Paribas Principal Investments includes BNP Paribas Capital, along with the Listed Investment and Sovereign Loan Management businesses.

## BNP Paribas Capital

BNP Paribas Capital manages the Group's proprietary portfolio of unlisted investments outside of the banking sector.

This portfolio had an estimated value of EUR 3.3 billion at 31 December 2008 and is split into four segments:

- directly held strategic investments;
- directly held minority stakes;
- investments in funds;
- joint investments made simultaneously with funds or institutional investors.

## Listed investment and sovereign loan management

The Listed Investment and Sovereign Loan Management unit has two functions. Its overall mission is to derive the greatest possible value from its assets over the medium term. This perspective clearly differentiates the business from a trading activity.

The Listed Investment Management team is in charge of BNP Paribas' portfolio of minority stakes in listed companies.

Sovereign Loan Management's mission is to restructure sovereign loans through the London Club and to manage the portfolio of emerging market sovereign debt, such as Brady bonds, Eurobonds and restructured loans.

# Klépierre

Founded in 1990, Klépierre is a real estate investment company (SIIC) listed on Euronext Paris™ (compartment A). With a market capitalisation of EUR 2,909 million <sup>(1)</sup>, Klépierre is Europe's second-largest owner of shopping centres.

Klépierre operates in 13 European countries including France, Norway, Italy and Spain, and has a portfolio worth EUR 13,075 million, mainly in shopping centres.

Through its subsidiary Ségécé, Klépierre is also continental Europe's leading shopping centre manager. Ségécé manages 322 centres, including 246 owned by Klépierre, providing retailers with the expertise and professionalism born of more than half a century of experience. In 2008, Klépierre expanded its European operations with the acquisition of Steen & Strøm, Scandinavia's leading shopping centre owner. Steen & Strøm manages 56 shopping centres including 30 of its own.

Klémurs is a SIIC that is 84.1%-owned by Klépierre and has been listed since December 2006. It specialises mainly in retail real estate, assets outsourced by leading retailers. The combination of Klépierre and Klémurs provides retailers with a comprehensive solution to their real estate needs. Klémurs' portfolio, which is valued at EUR 642.1 million, is spread across the whole of France.

Klépierre also lets and manages a portfolio of mostly prime office properties in Paris and the inner suburbs, valued at EUR 1,068.9 million.

Overall, Klépierre's portfolio is worth EUR 14.8 billion.

Klépierre employs more than 1,500 people across Europe.



<sup>(1)</sup> Value at 12/31/2008.



# The Group's approach to corporate social responsibility

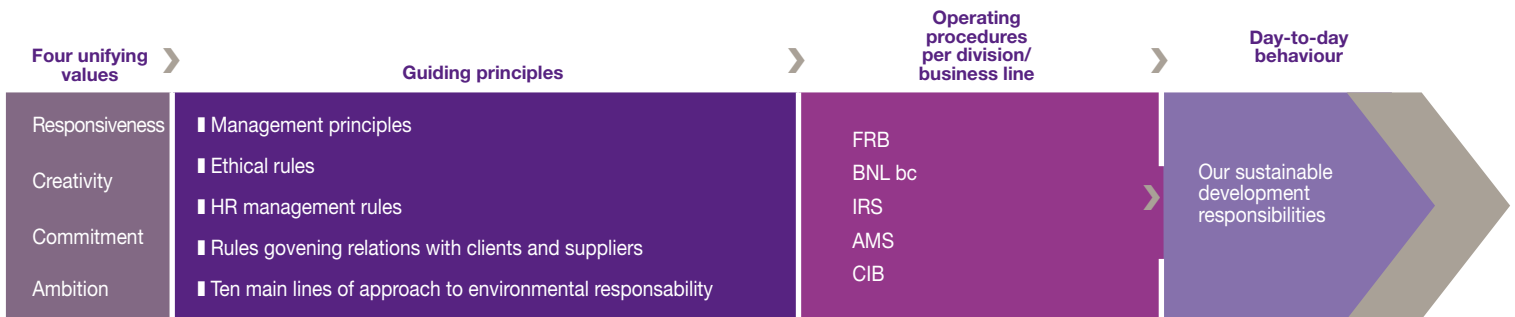


# The Group's approach

Responsibility based on core values and guiding principles

BNP Paribas does not take its approach to sustainable development lightly. The Group's economic, social, and environmental responsibilities are an integral part of its business ethic and are rooted in its

founding values: responsiveness, creativity, commitment, and ambition. These values unite individual actions into a cohesive Group-wide approach.



## A strong commitment to sustainable development

BNP Paribas bases its sustainable development policy on targeted, consistent public commitments. In 2008 it actively pursued its participation in numerous initiatives, some of which are specific to the banking sector and others of which are more far-reaching. This allowed the Group to promote sustainable development in a range of areas and at different levels.

### Global initiatives

BNP Paribas has been a member of the United Nations Global Compact since 2003. The Compact's ten principles are embedded in the Group's policies and guide all operating decisions. As in previous years, the Group published a Communication on Progress (COP) report in 2008 that outlines its approach to diversity.

BNP Paribas contributes to the work of ORSE (the French research centre for corporate social responsibility), Entreprise Pour les Droits de l'Homme (a coalition of French companies committed to implementing the Universal Declaration of Human Rights), and Entreprises pour l'Environnement (a coalition of forty French companies united by a commitment to the environment and sustainable development). The Group also chairs meetings of the sustainable development club within ANVIE, the French association for interdisciplinary research in humanities and social sciences in the business sector.

### Finance sector initiatives

In 2008 BNP Paribas formally adopted the Equator Principles for its project financing activities. These Principles constitute a benchmark for the financial sector to identify, assess, and manage the social and environmental risks related to project financing activities. They are based on the social and environmental performance criteria established by the World Bank and the International Finance Corporation.

In association with the Institutional Investors Group on Climate Change (IIGCC) and the Carbon Disclosure Project, BNP Paribas Asset Management (BNP PAM) encourages companies to consider climate change issues in their investment decisions. BNP PAM is one of the founding members of the Enhanced Analytics Initiative (EAI) through which it allocates 5% of its brokerage commissions to developing extra-financial research. BNP Paribas is involved in the UK's Business in the Community (BITC) organisation, which brings together more than 700 companies that promote responsible corporate behaviour within society.

The Group's commitment can be witnessed in its involvement in initiatives that expand the reach of its business principles. At an international level, BNP Paribas Investment Partners signed the Principles for Responsible Investment (PRI), launched under the auspices of UNEP Finance. These Principles help companies incorporate environmental, social, and corporate governance issues into their investment decision-making processes.

### The public commitments of BNP Paribas



## Combining CSR and economic performance

### An act of management

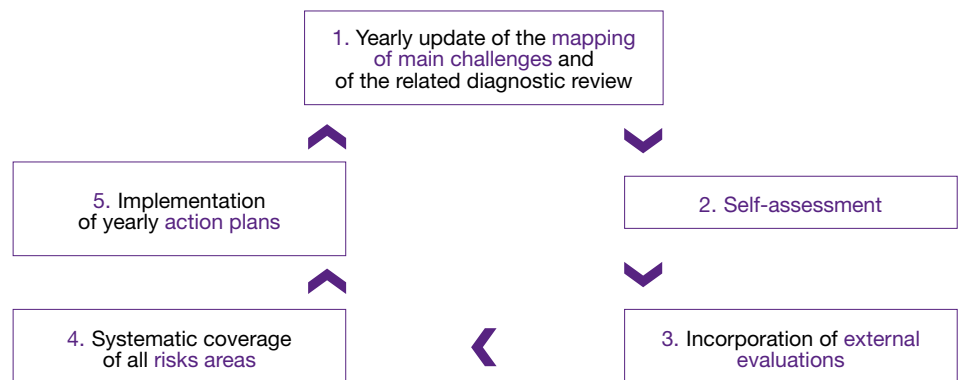
BNP Paribas does not consider corporate social responsibility (CSR) as a simple act of altruism, but rather as an act of management that helps ensure that a company, its employees and its environment

are in line with its economic, social and environmental values. The Group places a great deal of emphasis on CSR, with each business assuming responsibility for any effects that its operations may have on its stakeholders or the environment.



BNP Paribas systematically maps the steps that need to be taken to remediate any negative social and environmental effects of its operations, and performs a diagnostic review incorporating the results of self-assessments performed by each entity, ratings from the main SRI rating

agencies, and input from other Group stakeholders. The group's CSR policy is then put into practice through the implementation of action plans at each division, business unit, territory, and function. Any new initiative is approved by the Executive Committee.

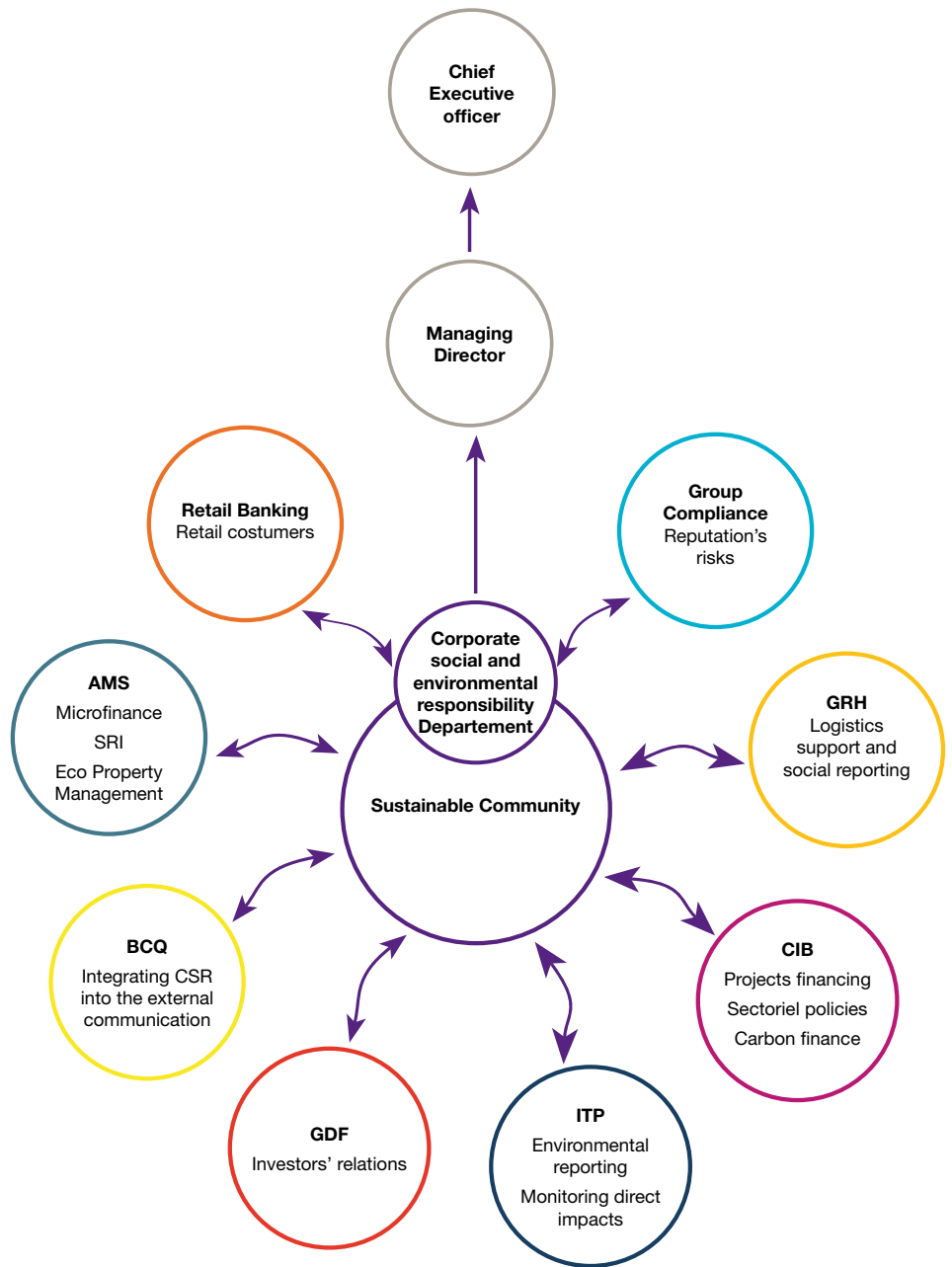




### A Group-wide mission

All of BNP Paribas' business units, which operate in 83 countries around the world, play a role in the Group's CSR policy. A Group-wide Corporate Social and Environmental Delegation oversee implementation of the overall policy. The Delegation maintains a direct link with managers throughout the Group and coordinates a network of over 200 experts from all divisions, business units, territories, and functions.

### The CSR Delegation: interactions within the Group



### Internal controls

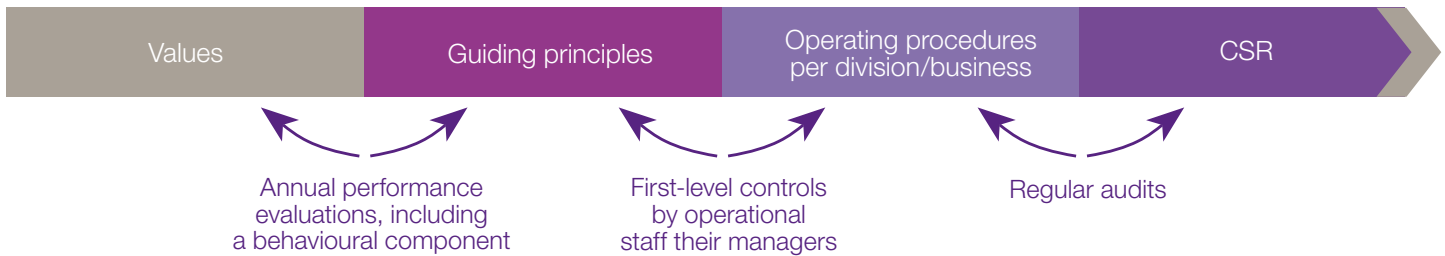
The Group has an elaborate internal control system whose various components contribute to the application of its CSR policy. These components include first-level controls by operational staff and their managers, as well as regular audits.

In 2004 the General Inspection Unit and Corporate Social and Environmental Delegation introduced an audit methodology designed to ensure that all

BNP Paribas entities apply directives in accordance with the Group's internal control system. Several controls were put in place to ensure that all components of the Group's CSR policy are applied.

This methodology was completely revamped in 2008 with updated reference documents and guides, and a more systematic treatment of the issues and challenges that BNP Paribas entities face in France and in other territories.

### The internal control mechanism



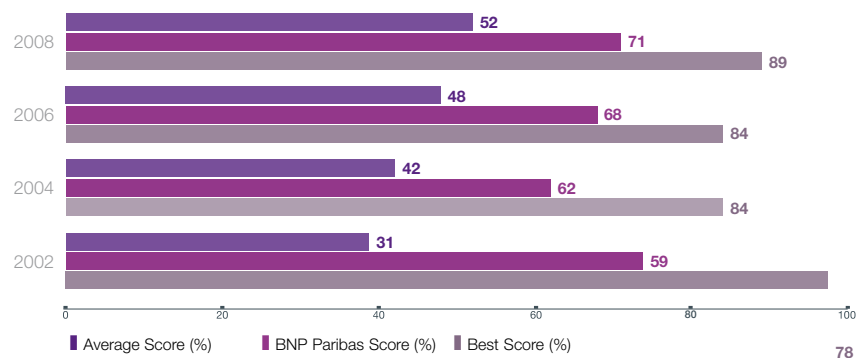
### Recognition from SRI rating agencies

**BNP Paribas is included in the main SRI indices: DJSI World, DJSI Stoxx, ASPI Eurozone, FTSE4Good Global 100, FTSE4Good Europe 50, and FTSE4Good Environmental Leaders Europe 40. BNP Paribas is one of the few banks worldwide to have received this unanimous acknowledgement.**

### SAM

2008 marked the seventh year in a row in which BNP Paribas was included in both Dow Jones Socially Responsible Investing indices: the DJSI World and DJSI Stoxx. BNP Paribas was the only French bank to be included in both indices in 2008. The companies included in the SRI indices are selected by means of an annual questionnaire. In 2008, the banking

### Changes in overall score



sector's questionnaire comprised 98 questions on topics of economic, environmental, and social concern. Sustainable Asset Management Inc. (SAM), a ratings agency, identifies the top companies in each sector based on the questionnaire replies. Out of 2,500 companies rated, only 250 actually make it onto the DJSI World index. In the banking sector, BNP Paribas was one of only 13 European banks included in the DJSI Stoxx index and 23 banks worldwide included in the DJSI World index. In 2008 BNP Paribas came in significantly higher than the sector average in almost all segments of the study, with an overall rating of 71 out of 100 (vs. a sector average of 52 out of 100). The Group's rating has improved steadily since 2002, especially with respect to economic and environmental concerns.

BNP Paribas' inclusion in widely used SRI indices is an acknowledgement of the effectiveness of its Corporate Social Responsibility initiatives.

### **Vigeo**

Vigeo is Europe's leading Social and Environmental rating agency. Since 2007 ratings issued by Vigeo are protected by copyrights. The details of this rating can be obtained from BNP Paribas upon request.

In 2008 Vigeo issued a report entitled Green, Social, and Ethical Funds in Europe. This report confirms that the number of European SRI funds jumped 23% in 2008 to 537 (vs. 437 in 2007), with total assets under management of EUR 48 billion. In this report Vigeo ranked BNP Paribas as one of the ten European stocks most frequently included in SRI fund portfolios, for the third consecutive year.

### **CFIE**

Every year CFIE, the French centre for information on businesses, reviews how thoroughly French listed companies have taken France's NRE Act into account in their annual reports. For the fifth year in a row BNP Paribas' annual report was ranked among the top ten, and the company was quoted as "leading in CSR reporting in the banking sector". CFIE gave BNP Paribas' CSR report a highly positive evaluation, stating that "Like last year, BNP Paribas issued a high-quality report in 2007... It is easy to read and provides a granular level of detail and thorough explanations. The report has a clear layout and its tables, graphs, and pictures effectively supplement the text."

### **European Federation for Ethics and Sustainable Development**

In 2008 the European Federation for Ethics and Sustainable Development issued a consumer guide entitled Buy for a Better World (published by Eyrolles). This guide rates the practices of more than 100 French and foreign companies operating in France according to five criteria: corporate governance; social responsibility; environmental responsibility; quality; and citizenship. The ratings are given on a scale from one star (average initiatives) to four stars (outstanding initiatives).

BNP Paribas was the only bank – and one of very few French companies – to receive three stars for all five criteria in 2007.

Buy for a Better World also includes a detailed sector analysis by family of products and services. All of BNP Paribas' banking and insurance businesses received three stars in most of the five criteria. According to the guide, "BNP Paribas has undertaken the highest number of initiatives in its sector."

## Organised dialogue with stakeholders

Stakeholder	Communication initiative
Shareholders	<ul style="list-style-type: none"> <li>• Shareholder Liaison Committee: Opinion on the Sustainable Development Report</li> <li>• Dialogue with fund managers and analysts: SRI Roadshow (investor relations)</li> <li>• Development of a periodical communication, specifically aimed at Socially Responsible Investors</li> <li>• A half-yearly financial newsletter</li> <li>• Annual shareholder meeting minutes</li> <li>• Meetings between shareholders and Executive Management in various French cities</li> <li>• Attendance at the Actionaria trade show for shareholders of French companies</li> <li>• <i>La Vie du Cercle</i> newsletter issued three times a year to members of Cercle BNP Paribas</li> <li>• Science and art seminars and visits to manufacturing sites</li> <li>• A toll-free number in France (0800 666 777) and a telephone news service</li> <li>• BNP Paribas' corporate website, <a href="http://invest.bnpparibas.com/en">http://invest.bnpparibas.com/en</a></li> <li>• A Minitel service: 3614 BNPPACTION</li> <li>• Cooperation with the French Federation of Investment Clubs</li> <li>• Regular earnings releases</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• 25,000 employees surveyed on the working environment</li> <li>• European Works Council</li> <li>• Group Works Council in France</li> <li>• An Employment Law Committee for maintaining an active dialogue with employees</li> <li>• Local BNP Paribas SA committees in France for making decisions at the appropriate level</li> <li>• Mix City, an association of female executives</li> </ul>
Customers and suppliers	<ul style="list-style-type: none"> <li>• Regular customer satisfaction surveys</li> <li>• A Cetelem booklet on responsible lending</li> <li>• A guide for the disabled on access to BNP Paribas branches and ATMs</li> <li>• Relationships with consumer organisations – dedicated relations with Cetelem and BNP Paribas' French retail banks</li> <li>• A well-defined procedure for resolving customer complaints in branches through a mediator</li> </ul>



Community	<ul style="list-style-type: none"> <li>• Participation in the business forum (<i>Forum des Entreprises</i>) with government representatives</li> <li>• Over 1,300 partnerships formed by the Group's retail banks in France, most notably with educational establishments</li> <li>• 41 local partnerships set up in 2008 through the <i>Projet Banlieues social</i> outreach initiative</li> <li>• Chair of ANVIE's Sustainable Development Club</li> <li>• Member of working groups run by ORSE and EpE (French associations active in environmental and CSR issues)</li> <li>• A new citizen's blog, <a href="http://www.pourunmondequichange.com">www.pourunmondequichange.com</a></li> </ul>
Environment	<p><b>Employee awareness building</b></p> <ul style="list-style-type: none"> <li>• Use of the Group intranet, the in-house newsletter (<i>Ambition</i>), and internal agreements</li> <li>• A guide on how to be environmentally conscious at work (<i>P'tit Mémo Buro</i>), distributed to BNP Paribas employees (100,000 copies)</li> <li>• Numerous articles on the environment and new automotive trends posted on Arval's website (<a href="http://www.arval.co.uk/eng">http://www.arval.co.uk/eng</a>) and on the Corporate Vehicle Observatory website (<a href="http://www.corporate-vehicle-observatory.com/eng">http://www.corporate-vehicle-observatory.com/eng</a>)</li> <li>• A guide for employees written by Arval on responsible driving practices</li> <li>• Helped design the French Sustainable Development Savings Account (formerly CODEVI)</li> <li>• Training on the Equator Principles given to employees in Paris, New York, and Singapore</li> </ul>

# Shareholder Relations



## Share capital

At 31 December 2007, BNP Paribas' share capital stood at EUR 1,810,520,616 divided into 905,260,308 shares. Details of the historical evolution of the capital are provided in the "Changes in share capital" section of the Activity Report.

In 2008, two series of transactions led to changes in the number of shares outstanding:

- 1,149,570 shares were issued through the exercise of stock options;
- 5,360,439 shares were issued as part of a capital increase reserved for employees.

At 31 December 2008, BNP Paribas' share capital stood at EUR 1,823,540,634 divided into 911,770,317 shares with a par value of EUR 2 each (1).

The shares are all fully paid-up and are held in registered or bearer form at the choice of their holders, subject to compliance with the relevant legal provisions.

**None of the Bank's shares entitle their holders to an increased dividend or double voting rights or limit the exercise of voting rights.**

## Changes in share ownership

Changes in the Bank's ownership structure over the last three years are as follows:

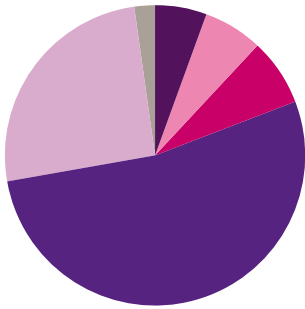
Shareholders	31/12/06		31/12/07		31/12/08	
	Number of shares (in millions)	% of capital and voting rights <sup>(1)</sup>	Number of shares (in millions)	% of capital and voting rights <sup>(1)</sup>	Number of shares (in millions)	% of capital and voting rights <sup>(1)</sup>
<b>Axa</b>	52.65	5.7%	53.56	5.9%	53.08	5.8%
<b>Employees</b>	49.36	5.3%	52.64	5.8%	57.69	6.3%
- o/w corporate mutual funds	35.86	3.9%	38.53	4.2%	42.75	4.7%
- o/w direct ownership	13.50	1.4%	14.11	1.6%	14.94	1.6%
<b>Corporate officers</b>	0.26	NS	0.36	NS	0.43	NS
<b>Treasury shares<sup>(2)</sup></b>	19.25	2.1%	9.14	1.0%	5.46	0.6%
<b>Public</b>	59.55	6.4%	57.00	6.3%	64.36	7.1%
<b>Institutional investors</b>	693.47	74.5%	717.40	79.3%	717.75	78.8%
(o/w "Socially Responsible Investors")	(7.50)	(0.8%)	(9.52)	(1.1%)	(3.92)	(0.4%)
- Europe	480.61	51.6%	516.54	57.1%	484.10	53.1%
- Outside Europe	212.86	22.9%	200.86	22.2%	233.65	25.7%
<b>Other and unidentified</b>	55.93	6.0%	15.16	1.7%	13.00	1.4%
<b>TOTAL</b>	<b>930.47</b>	<b>100.0%</b>	<b>905.26</b>	<b>100.0%</b>	<b>911.77</b>	<b>100.0%</b>

<sup>(1)</sup> Excluding trading desks' working positions.

<sup>(2)</sup> In accordance with article 223-11 of the AMF's General Regulations, the number of voting rights must be calculated on the basis of all shares to which voting rights attach, including those on which voting rights are not exercised such as treasury shares. Since BNP Paribas uses the "1 share = 1 vote" principle, percentages of the capital are the same as percentages of voting rights.

<sup>(1)</sup> Since the end of the financial year, 325,790 shares have been created following the exercise of options. As a result, at 23 January 2009, BNP Paribas' share capital stood at EUR 1,824,192,214 divided into 912,096,107 shares with a par value of EUR 2 each.

**BNP Paribas ownership structure at 31 December 2008**



- AXA **5.8%**
- Employees **6.3%**  
(o/w corporate mutual funds 4.7%, o/w direct ownership 1.6%)
- Public **7.1%**
- European institutional investors **53.1%**
- Non-European institutional investors **25.7%**
- Other and unidentified **2.0%**

**To the company's knowledge, no shareholder other than AXA owns more than 5% of its capital or voting rights. To BNP Paribas' knowledge, there is no agreement, whose execution at a later date could lead to a change in its control.**

**Listing information**

When the shareholders of BNP and Paribas approved the merger between the two banks at the Extraordinary General Meeting of 23 May 2000, BNP shares became BNP Paribas shares. The Euroclear-France code for BNP Paribas is the same as the previous BNP code (13110). Since 30 June 2003, BNP Paribas shares have been registered under ISIN code FR0000131104.

BNP shares were first listed on the Cash Settlement Market of the Paris Stock Exchange on 18 October 1993, following privatisation, before being transferred to the Monthly Settlement Market on 25 October of that year. When the monthly settlement system was discontinued on 25 September 2000, BNP Paribas shares became eligible for Euronext's Deferred Settlement Service (SRD). The shares are also traded on SEAQ International in London and on the Frankfurt Stock Exchange. Since 24 July 2006 they have been traded on the MTA International in Milan and they have been listed on the Tokyo Stock Exchange since 13 March 2000 (and the First Section since 7 February 2005). Since privatisation, a Level 1 144A ADR programme has been active in the USA, where JP Morgan Chase is the depositary bank (2 ADRs correspond to 1 BNP Paribas share).

To help increase the number of shares held by individual investors, BNP Paribas carried out a two-for-one share split on 20 February 2002, reducing the par value of the shares to EUR 2.

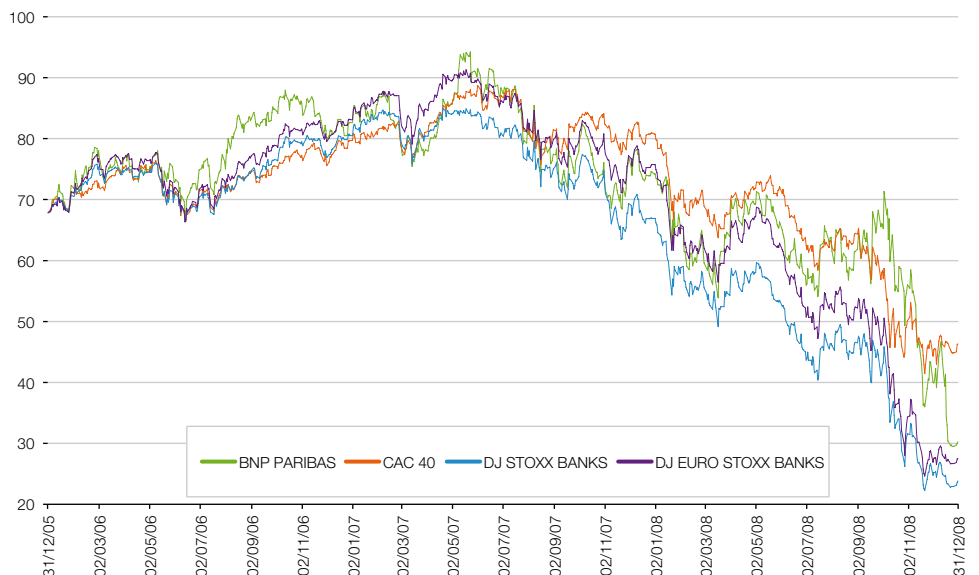
BNP became a constituent of the CAC 40 index on 17 November 1993 and of the Euro Stoxx 50 index on 1 November 1999. Since 18 September 2000, it has been a constituent of the Dow Jones Stoxx 50 index. In 2007, BNP Paribas joined the Global Titans 50, an index comprising the 50 largest corporations worldwide. BNP Paribas shares are also included in the main benchmark indexes for sustainable development: ASPI Eurozone, FTSE4Good (Global and Europe 50), DJ SI World and DJ SI Stoxx. All of these listings have fostered liquidity and share price appreciation, as the BNP Paribas share is necessarily a component of every portfolio and fund that tracks the performance of these indexes.

**Share performance**

between 31 December 2005 and 31 December 2008

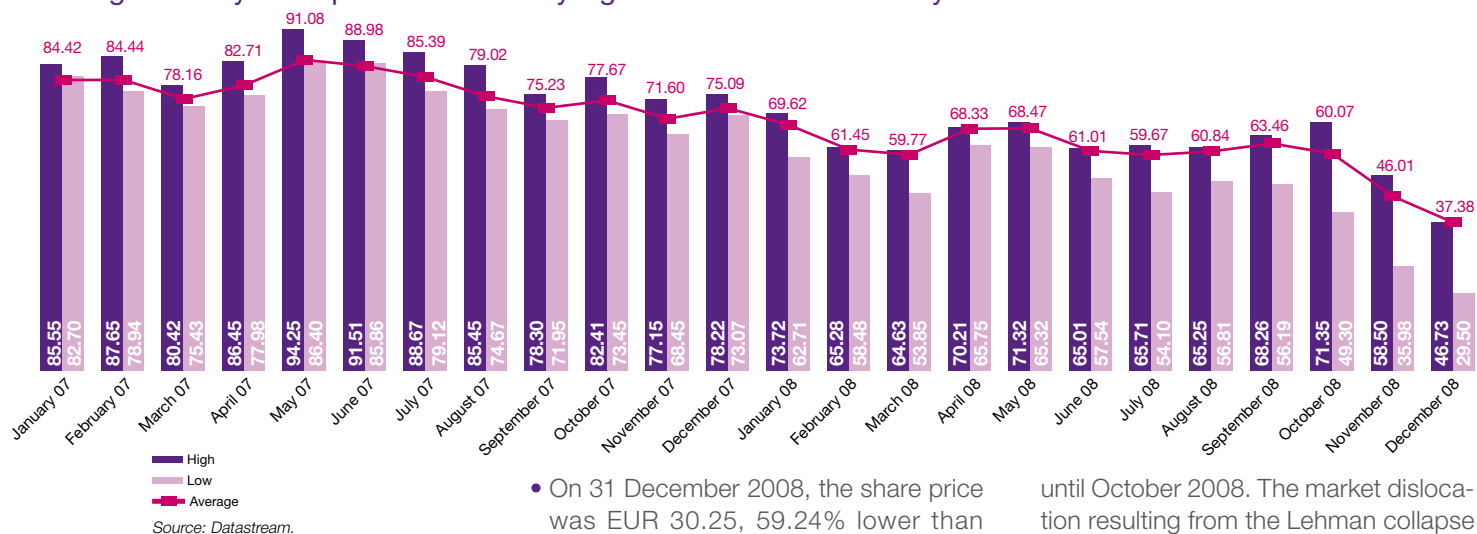
Comparison with the DJ Eurostoxx Banks, DJ Stoxx Banks and CAC 40 indexes (rebased on share price)

Source: Datastream.





## Average monthly share prices and monthly highs and lows since January 2007

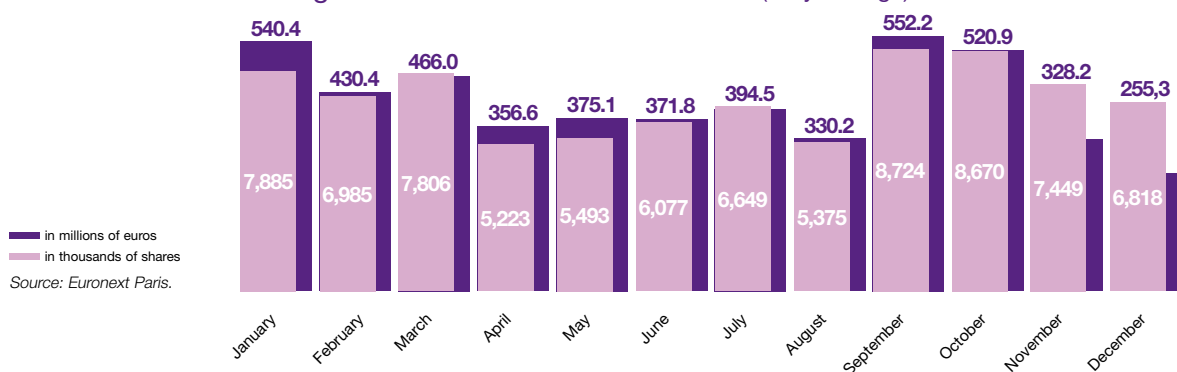


- On 31 December 2008, the share price was EUR 30.25, 59.24% lower than it had been on 31 December 2007 (EUR 74.22). Over the same period, the CAC 40 fell by 42.68%, the DJ EuroStoxx Banks was down 63.74% and the DJ Stoxx Banks was down 64.38%.
- Between 30 December 2005 and 31 December 2008, the share price fell by 55.40% against a 31.75% decline for the CAC 40, but a 59.51% fall for the DJ EuroStoxx Banks and a 64.85% drop for the DJ Stoxx Banks. After reaching an all-time high at EUR 94.25 in May 2007, BNP Paribas' share price was dragged down by the widespread loss of confidence in financial institutions, triggered by the subprime mortgage crisis in the US. However, because of BNP Paribas' lower exposure to the crisis compared with many competitors, its share price performance compared very well with banking-sector indexes

until October 2008. The market dislocation resulting from the Lehman collapse affected the Group's business, and in turn this pushed down its share price in late 2008, wiping out much of its out-performance against bank indexes until that point.

- At 31 December 2008, BNP Paribas' market capitalisation was EUR 27.6 billion, making it the 8th-ranked stock in the CAC 40, down two places relative to end-2007. In terms of free float, BNP Paribas is the 7th-ranked CAC 40 stock (down from third at end-2007). BNP Paribas had the 19th-largest free float in the DJ EuroStoxx50 index at end-2008, down from 11th place a year before.
- Daily trading volume on Euronext Paris averaged 6,936,205 shares in 2008, up 19.2% on the 2007 figure of 5,821,304. This is a clear indication of the stock's increasing liquidity.

## Trading volume on Euronext Paris in 2008 (daily average)



## Key shareholder data

In euros	French GAAP		IFRS		
	2004	2005	2006	2007	2008
<b>Earnings per share</b> <sup>(1) (*)</sup>	5.50	7.00	8.00	8.50	3.10
<b>Net assets per share</b> <sup>(2) (*)</sup>	35.90	45.80	49.80	52.40	47.00
<b>Net dividend per share</b>	2.00	2.60	3.10	3.35	1.00 <sup>(3)</sup>
<b>Payout rate (%)</b> <sup>(4)</sup>	37.90	37.40	40.30	39.80	33.00 <sup>(3)</sup>
<b>Share price</b>					
High <sup>(5) (*)</sup>	54.57	68.71	88.50	95.07	75.41
Low <sup>(5) (*)</sup>	45.71	50.31	66.65	67.54	28.50
Year-end <sup>(*)</sup>	52.89	67.82	82.65	74.22	30.25
<b>CAC 40 index on 31 December</b>	<b>3,821.16</b>	<b>4,715.23</b>	<b>5,541.76</b>	<b>5,614.08</b>	<b>3,217.97</b>

\* Data in the above table have been adjusted to reflect the share issue with preferential subscription rights in March 2006 (adjustment ratio = 0.992235740050131).

<sup>(1)</sup> Based on the average number of shares outstanding during the year.

<sup>(2)</sup> Before dividends. Net book value based on the number of shares outstanding at year-end.

<sup>(3)</sup> Subject to approval at the Annual General Meeting of 13 May 2009.

<sup>(4)</sup> Dividend recommended to the AGM, expressed as a percentage of net income adjusted for coupons on undated super-subordinated notes (TSSDs).

<sup>(5)</sup> Registered during trading.

## Creating value for shareholders

### Total Shareholder Return (TSR)

#### Calculation parameters

- Dividends reinvested in BNP shares, then in BNP Paribas shares; 50% tax credit included until tax credit system abolished in early 2005.
- Returns stated gross, i.e. before any tax payments or brokerage fees.

#### Calculation results

The following table indicates, for various periods ending on 31 December 2008, the total return on a BNP share, then a BNP Paribas share, as well as the effective annual rate of return.

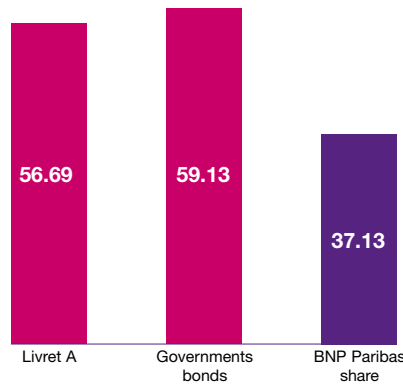
Holding period	Investment date (opening price)	Initial investment multiplied by	Effective annual rate of return
Since privatisation	18/10/1993	x 2.95	+ 7.38%
15 years	03/01/1994	x 2.27	+ 5.62%
14 years	03/01/1995	x 2.60	+ 7.05%
13 years	02/01/1996	x 2.82	+ 8.29%
12 years	02/01/1997	x 3.02	+ 9.65%
11 years	02/01/1998	x 1.82	+ 5.60%
10 years	04/01/1999	x 1.19	+ 1.78%
Since inception of BNP Paribas	01/09/1999	x 1.17	+ 1.66%
9 years	03/01/2000	x 0.92	- 0.91%
8 years	02/01/2001	x 0.87	- 1.69%
7 years	02/01/2002	x 0.795	- 3.23%
6 years	02/01/2003	x 0.98	- 0.34%
5 years	02/01/2004	x 0.75	- 5.66%
4 years	03/01/2005	x 0.67	- 9.66%
3 years	02/01/2006	x 0.50	- 20.57%
2 years	02/01/2007	x 0.39	- 37.27%
1 year	02/01/2008	x 0.43	- 57.17%

BNP Paribas uses two methods to measure the value created for shareholders, based on a medium- to long-term investment period reflecting the length of time during which the majority of individual investors hold their BNP Paribas shares.

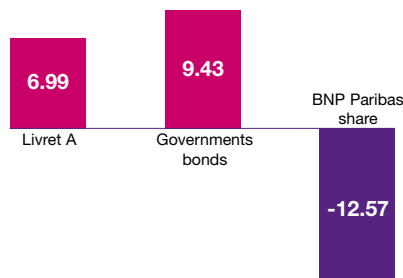
Five-year comparison of an investment in BNP Paribas shares at an opening price of EUR 49.70 at 2 January 2004 with the "Livret A" passbook savings account and medium-term government bonds.

In this calculation, we assess the creation of shareholder value by comparing an investment in BNP Paribas shares with two risk-free investments: the "Livret A" passbook savings account offered by the French savings bank network and medium-term French government notes (OATs).

### Value at 31/12/2008 of a EUR 49.70 investment made on 02/01/2004



### Comparative total 5 year return for an investment or EUR 49.70



### Total return on an investment in BNP Paribas shares

Initial investment = 1 share at the opening price on 2 January 2004 = EUR 49.70

Dividends reinvested

Exercise of pre-emptive rights to subscribe for shares in the March 2006 share issue.

Value at 31 December 2008:

1.2274 shares at EUR 30.25, i.e. EUR 37.13.

Investment of EUR 49.70 on 1 January 2004 in a "Livret A" passbook account:

The interest rate on the investment date was 2.25%, reduced to 2% on 08/01/2005. The interest rate was increased to 2.25% on 1 February 2006 and to 2.75% on 1 August 2006, and to 3% on 1 August 2007. The interest rate was increased twice more in 2008, to 3.50% on 1 February and to 4% on 1 August. At 31 December 2008, this investment was worth **EUR 56.69**, an increase of EUR 6.99 (+14.1%), as opposed to a decrease of EUR 12.57 per BNP Paribas share over the same period (-25.30%).

Investment of EUR 49.70 on 1 January 2004 in 5-year French government bonds.

The five-year interest rate (BTAN) on that date was 3.553%. At the end of each subsequent year, interest income is reinvested in a similar note on the following terms:

- 2.8986% (BTAN) in January 2005 for 4 years;
- 2.94696% (BTAN) in January 2006 for 3 years;
- 3.88011% (BTAN) in January 2007 for 2 years;
- 4.745% in January 2008 for 1 year (Euribor).

At the end of five years, the accrued value of the investment is **EUR 59.13**, representing a growth of EUR 9.43 (+18.97%), as opposed to a EUR 12.57 decline for an investment in a BNP Paribas share.

## Communication with shareholders

BNP Paribas endeavours to provide all shareholders with clear, consistent, high-quality information at regular intervals, in accordance with best market practice and the recommendations of stockmarket authorities.

The **Investor Relations** team informs institutional investors and financial analysts, in France and abroad, of the Group's strategies, major events concerning the Group's business and, of course, the Group's quarterly results. In 2009, for example, the following dates have been set<sup>(1)</sup>:

- 19 February 2009: publication of 2008 results;
- 6 May 2009: results for the first quarter of 2009;
- 4 August 2009: publication of 2009 half-year results;
- 5 November 2009: results for the third quarter and first nine months of 2009.

Informative briefings are organised several times a year, when the annual and half-year results are released, or on specific topics, providing senior management with an opportunity to present the BNP Paribas Group and its strategy. There is also a Relations Officer responsible for liaising with managers of ethical and socially responsible funds.

The **Individual Shareholder Relations Department** provides information and deals with queries from the Group's 670,000 or so individual shareholders (*source: 31 December 2008 TPI Survey*). A half-yearly financial newsletter informs both members of the "**Cercle BNP Paribas**" and other shareholders of important events concerning the Group, and a summary of the matters discussed during the Annual General Meeting is sent out in July. During the year, senior management presents the Group's policy to individual shareholders at meetings organised in various French cities and towns. For example, in 2008, meetings were held in Versailles on 17 June, Nice on 24 June and Rennes on 30 September. BNP Paribas representatives also met and spoke with over 1,000 people at the "Actionaria" shareholder fair held in Paris on 21 and 22 November 2008.

In 1995, the "**Cercle BNP Paribas**" was set up for individual shareholders holding at least 200 shares. The Cercle currently has 55,000 shareholder members. Three times a year, in alternation with financial newsletters, they receive *La Vie du Cercle*, a publication inviting them to take part in artistic and cultural events with which BNP Paribas is associated, as well as training sessions. These include seminars on trading in equities (including technical analysis and financial research), on private Asset Management and warrants, as well as economic-update sessions, organised by BNP Paribas teams specialising in these fields. In addition, the Bank regularly organises scientific conferences and visits to industrial sites. The seminars are held in Paris and the provinces, on weekdays and the weekend, to enable as many people as possible to attend. Illustrating the growing variety of the offering, 409 events were organised for 16,230 participants in 2008, as opposed to 389 events for 16,351 participants in 2007. Shareholders can obtain information about these services by dialling a **special freephone number** (in France): **0 800 666 777**. A telephone news service can also be accessed through the same number, offering a wide range of information to BNP Paribas shareholders, such as the share price, shareholders' events, news and interviews. Finally, the Cercle BNP Paribas's own website was set up in 2008, providing information about the Cercle's services.

### **BNP Paribas Shareholders' Guide**

**The BNP Paribas Shareholders' Guide was designed to provide individual shareholders with full details on the share's performance and the Bank's achievements. Its purpose is to give these investors a better idea and a deeper understanding of the economic environment and of the markets in which BNP Paribas operates. The Guide can be obtained on request from the Individual Shareholder Relations Department.**

<sup>(1)</sup> Subject to alteration.

**BNP Paribas ranked among the winners of the BoursScan 2008 website survey**

Boursorama and its partner OpinionWay, a consultancy specialising in analysing individual shareholder behaviour, have for the past eight years conducted an annual survey in France (BoursScan), with a view to finding the best websites of companies listed on the Paris Stock Exchange. As part of the 2008 survey, more than 7,340 web users visited the sites of Paris-listed companies in September and October 2008. 250 sites were rated by participants, who focused on how up-to-date the information was, how transparent the financial communication was and how easy the site was to navigate around.

BNP Paribas' "Investors/Shareholders" site (<http://invest.bnpparibas.com>), which won the "Coup de Cœur" award for the most popular website among first-time visitors in 2007, was ranked no. 2 in the Grand Prix BoursScan survey in 2008. This achievement recognises the accessible, informative and innovative nature of the information provided to individual investors by BNP Paribas. These characteristics are particularly important during a period of financial crisis.

The BNP Paribas website (<http://invest.bnpparibas.com>) can be consulted in both French and English. Large portions of the website are also available in Italian. It provides information on the Group, including press releases, key figures and details of significant developments and presentations. All financial documents such as Annual Reports and Registration Documents can also be viewed and downloaded. Publications compiled by the Bank's Economic Research unit can be viewed on the website. The website also naturally features the latest share performance data and comparisons with major indexes. Among the website's features is a returns calculation tool.

The Investors/Shareholders section now includes all reports and presentations concerning the Bank's business and strategy, irrespective of the original target audience (individual shareholders, institutional investors, asset managers or financial analysts). The website also has a section entitled "To be a shareholder", which was specifically designed with individual shareholders in mind, offering information tailored to their needs and details of proposed events. In addition, there is a specific section dedicated to the

Annual General Meeting of shareholders, which includes information regarding the conditions for attending the meeting, ways of voting, practical questions, as well as a presentation of the resolutions and the complete text of all speeches made by corporate officers. Webcasts of the sessions can be viewed by going to the section entitled "General shareholders meeting" then by clicking on the relevant meeting in the submenu. In response to the expectations of individual shareholders and investors, and to meet increasing transparency and regulated reporting requirements, BNP Paribas relaunched the "Investors/Shareholders" section of its website in late 2008. Content has been enhanced, including an improved glossary, and new functions have been added. The site is now more user-friendly and easier to navigate around. The financial calendar gives the dates of important forthcoming events, such as the AGM, results publications and shareholder seminars.

Recent information about the BNP Paribas Group is also available on the French **Minitel service 3614 BNPPACTION**, at a cost of EUR 0.057 per minute. Through this service, shareholders can ask questions, leave messages and order documents.

## Shareholder Liaison Committee

After its formation in 2000, BNP Paribas decided to create a Shareholder Liaison Committee to help the Group improve communications with its individual shareholders. At the Shareholders' Meeting that approved the BNP Paribas merger, the Chairman of BNP Paribas initiated the process of appointing members to this committee, which was fully established in late 2000.

Headed by Michel Pébereau, the committee includes ten shareholders who are both geographically and socioeconomically representative of the individual shareholder population, along with two employees or former employees. Each member serves a three-year term. When their terms expire, announcements are published in the press and/or in the Group's various financial publications, inviting new candidates to come forward. Any shareholder can become a candidate.





**At 1 January 2009, the members of the Liaison Committee were as follows:**

- Michel Pébereau, Chairman;
- Franck Deleau, resident of the Lot *département*;
- Nicolas Derely, resident of the Paris area;
- Jean-Louis Dervin, residing in Caen;
- Jacques de Juvigny, resident of the Alsace region;
- André Laplanche, residing in Cavaillon;
- Jean-Marie Laurent, resident of the Oise *département*;
- Dyna Peter-Ott, residing in Strasbourg;
- Jean-Luc Robaux, residing in Nancy;
- Chantal Thiebaut, resident of the Meurthe-et-Moselle *département*;
- Thierry de Vignet, resident of the Dordogne *département*;
- Odile Uzan-Fernandes, BNP Paribas employee;
- Bernard Coupez, President of Asras BNP Paribas (the Association of Employee, Retiree and Former Employee Shareholders of the BNP Paribas Group).

In accordance with the committee’s Charter – i.e. the internal rules that all committee members have adopted – the committee met twice in 2008, on 21 March and 3 October, in addition to taking part in the Annual General Meeting and attending the Actionaria shareholder fair. The main topics of discussion included:

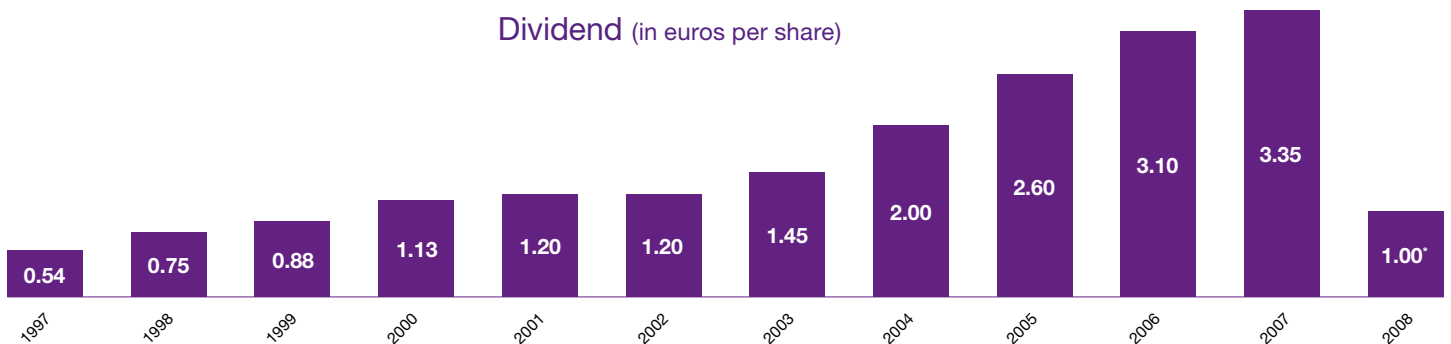
- BNP Paribas’ ownership structure and changes in the structure, particularly among individual shareholders;
- the periodical publications which provide information on the Group’s achievements and strategy;
- the draft 2007 Registration Document and Annual Report;
- quarterly results presentations;
- the new version of the website focusing on relations with financial market operators and Cercle des Actionnaires members;
- initiatives taken in preparation for the Annual General Meeting;
- BNP Paribas’ participation in the “Actionaria” shareholder fair. At this event, several Liaison Committee members explained the role played by the committee to people who visited the Bank’s stand.

**Dividend**

At the 13 May 2009 Annual General Meeting, the Board of directors will recommend a dividend of EUR 1.00 per share. The shares will go ex-dividend on 20 May 2009 and the dividend will be paid on 16 June 2009, subject to approval at the Annual General Meeting.

The total amount of the payout is EUR 912.1 million, compared with EUR 3,034.1 million in 2008. The proposed payout rate is 33.0% <sup>(1)</sup>.

**Dividend (in euros per share)**



<sup>(\*)</sup> Subject to approval at the Annual General Meeting of 13 May 2009. Dividends for 1997-2000 have been adjusted to reflect the two-for-one share split carried out on 20 February 2002.

**The Group’s objective** is to adjust the dividend to reflect variations in income and to optimise management of available capital.

**Timeframe for claiming dividends:** after five years, any unclaimed dividends will be forfeited and paid to the French Treasury, in accordance with applicable legislation.

<sup>(1)</sup> Dividend recommended at the 13 May 2009 Annual General Meeting expressed as a percentage of earnings per share.

## BNP Paribas registered shares

At 31 December 2008, 26,437 shareholders had BNP Paribas registered shares.

### Registered shares directly with BNP Paribas

Shareholders who hold shares under the pure registered form:

- automatically receive all documents regarding the Bank which are sent to shareholders;
- can call a **French freephone number (0800 600 700)** to place buy and sell orders and to obtain any information;
- benefit from special, discounted brokerage fees;
- have access to “GIS Nomi” (<http://gisnomi.bnpparibas.com>), a fully secure dedicated web server, allowing them to view registered share accounts, and account movements, to as well as place and track orders;

- pay no custodial fees and are automatically invited to General Meetings, without the need for an ownership certificate.

### Registered shares held in an administered account

BNP Paribas is also extending its administered share account services to institutional shareholders. For institutional shareholders, this type of account combines the main benefits of holding shares in bearer form with those of holding pure registered shares:

- shares can be sold at any time, through the shareholder’s usual broker;
- the shareholder can have a single share account, backed by a cash account;
- the shareholder is automatically invited to attend and vote at General Meetings, without the invitation being sent through a third party;
- the shareholder can take part in voting via the internet.

## Annual General Meeting

The last Annual General Meeting was held on 21 May 2008 on first call. The text of the resolutions and the video of the meeting can be viewed on the BNP Paribas website, which is where the original live webcast took place. The composition of the quorum and the results of the votes

cast were posted online the day after the meeting. In addition, the meeting was written about in the specialist press and a specific letter was sent to shareholders summarising the meeting.

The quorum breaks down as follows:

### Breakdown of quorum

	<b>Number of shareholders</b>	<b>(%)</b>	<b>Number of shares</b>	<b>(%)</b>
Present	1,927	17.90%	106,600,567	22.94%
Proxy given to spouse or another shareholder	36	0.33%	12,504	NS
Proxy given to Chairman	5,410	50.25%	38,505,103	8.29%
Postal votes	3,393	31.52%	319,503,686	68.77%
<b>Total</b>	<b>10,766</b>	<b>100%</b>	<b>464,621,860</b>	<b>100%</b>
<b>Total number of shares issued excluding treasury stock</b>			<b>900,040,571</b>	<b>Quorum 51.62%</b>

All resolutions proposed to the shareholders were approved.

	<b>Results</b>	<b>Rate of approval (%)</b>
<b>ORDINARY MEETING</b>		
Resolution 1:	Approval of the consolidated balance sheet at 31 December 2007 and the consolidated profit and loss account for the year then ended	98.27%
Resolution 2:	Approval of the parent-company balance sheet at 31 December 2007 and the parent-company profit and loss account for the year then ended	98.26%
Resolution 3:	Appropriation of net income and dividend distribution	99.82%
Resolution 4:	Agreements and commitments governed by Article L. 225-38 of the Code de commerce	96.49%
Resolution 5:	Share buybacks	99.66%
Resolution 6:	Appointment of Daniela Weber-Rey as a director	99.13%
Resolution 7:	Renewal of the term of office of François Grappotte as a director	99.09%
Resolution 8:	Renewal of the term of office of Jean-François Lepetit as a director	97.43%
Resolution 9:	Renewal of the term of office of Suzanne Berger Keniston as a director	99.03%
Resolution 10:	Renewal of the term of office of Hélène Ploix as a director	99.15%
Resolution 11:	Renewal of the term of office of Baudouin Prot as a director	97.11%
Resolution 12:	Powers to carry out formalities	99.81%
<b>EXTRAORDINARY MEETING</b>		
Resolution 13:	Authorisation to issue shares and share equivalents with pre-emptive rights for existing shareholders maintained	94.58%
Resolution 14:	Authorisation to issue shares and share equivalents with pre-emptive rights for existing shareholders waived and a priority subscription period granted	87.99%
Resolution 15:	Issue of securities to be given in exchange for securities tendered as part of public exchange offers	87.46%
Resolution 16:	Issue of securities to be given in exchange for unlisted securities tendered, up to a maximum of 10% of the capital	91.42%
Resolution 17:	Overall limit on authorisations to issue shares with pre-emptive rights for existing shareholders waived	91.37%
Resolution 18:	Issuance of shares to be paid up by capitalising income, retained earnings or additional paid-in capital	96.76%
Resolution 19:	Overall limit on authorisations to issue shares with pre-emptive rights for existing shareholders maintained or waived	94.45%
Resolution 20:	Transactions reserved for members of the employee savings plan	93.12%
Resolution 21:	Allotment of bonus shares to employees of the company and to employees and corporate officers of related companies	92.84%
Resolution 22:	Stock options	94.12%
Resolution 23:	Reduction in the Bank's capital by cancelling shares	99.32%
Resolution 24:	Amendment of the Bank's Articles of Association relating to attendance at General Meetings	97.25%
Resolution 25:	Powers to carry out formalities	99.41%

The 2008 Annual General Meeting was an additional opportunity for BNP Paribas to demonstrate its commitment to sustainable development. BNP Paribas seeks to create value consistently, to show its quality and its respect not only for “traditional” partners comprising shareholders, clients and employees, but also for the community at large. It seemed appropriate that these principles be reflected in the Group’s General Meetings. As a result, a decision was taken, in conjunction with the Shareholder Liaison Committee, to donate EUR 10 for every investor attending the meeting or voting online to the “Coup de pouce aux projets du personnel” (a helping hand for employee projects) programme. The programme was specifically developed by the BNP Paribas Foundation to encourage public interest initiatives for which Bank staff personally volunteer their time and efforts.

The sums collected (EUR 19,920 in 2008) are donated in addition to the funds that the Bank already grants to this programme via the BNP Paribas Foundation, which operates under the aegis of the Fondation de France. Total contributions in 2008 were divided between 34 projects, all initiated by Bank employees. Six projects obtained the maximum grant of EUR 4,000. The sums awarded vary according to the scale of the project, its quality and the commitment of employees. The projects receiving the most funding were humanitarian projects, mainly in Southeast Asia and Sub-Saharan Africa, followed by projects to assist disabled and disadvantaged people.

The allocation of funds is contained in the convening for the next General Meeting.

The procedures for BNP Paribas' General Meetings are defined in Article 18 of the Bank's Articles of Association.

The Board of directors calls an Ordinary General Meeting at least once a year to vote on the agenda set by the Board.

The Board may call Extraordinary General Meetings for the purpose of amending the Articles of Association, and especially to increase the Bank's share capital. Resolutions are adopted by a two-thirds majority of shareholders present or represented.

The Ordinary and Extraordinary General Meeting may be called in a single notice of meeting and held on the same date. BNP Paribas will hold its next Ordinary and Extraordinary General Meeting on 13 May 2009 <sup>(1)</sup>.

<sup>(1)</sup> Subject to alteration.

## Notice of meetings

For combined Ordinary and Extraordinary General Meetings:

- holders of registered shares are notified by post; regardless of the number of shares held the notice of meeting contains the agenda, the draft resolutions and a postal voting form;
- holders of bearer shares are notified via announcements in the press, particularly investor and financial journals; in addition to legal requirements, BNP Paribas sends the following documents aimed at boosting attendance:
  - notices of meetings and a postal voting form for shareholders who own over a certain number of shares (set at 250 shares in 2008); these same documents may be accessed freely on the website;
  - information letters concerning the Annual General Meeting and the attendance procedures. In 2008, these were sent to all holders of at least 150 bearer shares.

In total, nearly 70,000 of the Bank's shareholders personally received the information needed to participate in 2008.

In addition, staff at all BNP Paribas branches are specifically trained to provide the necessary assistance and carry out the required formalities.

## Attendance at meetings

Any holder of shares may gain admittance to Annual and Extraordinary General Meeting, provided that the shares have been recorded in their accounts for at least three days. Holders of bearer shares must in addition present an entry card or certificate stating the ownership of the shares.

## Voting

Shareholders who are unable to attend a General Meeting may complete and return to BNP Paribas the postal voting form/proxy enclosed with the notice of meeting. This document enables them to either:

- vote by post;
- give their proxy to their spouse or another shareholder (individual or legal entity);
- give their proxy to the Chairman of the Meeting or indicate no proxy.

Shareholders or their proxies present at the Meeting are given the necessary equipment to cast their votes. Since the General Meeting of 13 May 1998, BNP Paribas has used an electronic voting system.

Since the Meeting of 28 May 2004, shareholders can use a dedicated, secure internet server to send all the requisite attendance documents prior to Annual General Meeting (<http://gisproxy.bnpparibas.com>).

## Disclosure thresholds

In addition to the legal thresholds, and in accordance with Article 5 of the Bank's Articles of Association, any shareholder, whether acting alone or in concert, who comes to hold directly or indirectly at least 0.5% of the capital or voting rights of BNP Paribas, or any multiple of that percentage up to 5%, is required to notify BNP Paribas by registered letter with return receipt.

Once the 5% threshold is reached, shareholders are required to disclose any increase in their interest representing a multiple of 1% of the capital or voting rights of BNP Paribas.

The disclosures described in the previous two paragraphs shall also apply when the shareholding falls below the above-mentioned thresholds.

In the case of failure to comply with these disclosure requirements, the undisclosed shares will be stripped of voting rights at the request of one or more shareholders who hold a combined interest of at least 2% of the capital or voting rights of BNP Paribas.



# Human Resources Development





Michel Pébereau  
Chairman, BNP Paribas Group

### **“A genuine enterprise project is underpinned”**

Values are often considered, in major groups, as a communications tool, a public relations display that bears little relation to how work is carried out on the ground. This is not our point of view. We believe that our Group values should be shared by everyone and lived on a daily basis. They should help to rally our teams and ensure the Group's overall cohesiveness. BNP Paribas is no ordinary company. Its uniqueness is very dear to our hearts.

### Group values underpinning HR management

For BNP Paribas, the goal of being “the bank for a changing world” stems from the core values chosen by the new Group's top management at the time of the merger between BNP and Paribas in 2000. These values are illustrative of the Group's commitment to three goals:

- bringing together a global, multicultural Group;
- forging a strong, unique identity;
- enlisting employee support for the corporate mission by giving that mission lasting sense.

#### **A unifying approach**

BNP Paribas is a global group on the move and, as such, takes great care to respect the cultural backgrounds of all its employees in the ways it conducts its business and manages its teams. The Group's core values bind the diverse group of men and women that make up the BNP community, giving them a strong sense of shared identity.

#### **A distinctive corporate identity**

BNP Paribas expresses its distinctive identity in all its businesses and territories throughout the world. It has chosen to focus on original values, at both an individual and collective level. Only three other global groups have included Commitment and Ambition among their core values, and BNP Paribas is unique in choosing Creativity and Responsiveness.

#### **Action-centred values**

To have a truly rallying effect, corporate values must be shared by everyone and lived on a daily basis. Accordingly, the Group's top managers have spelt out the meaning and direction of the individual and collective behaviour that these values call for:

Responsiveness means rapidly appraising situations, identifying opportunities and risks, making decisions and taking effective action.

Creativity means promoting new initiatives and ideas and rewarding their originators.

Commitment involves devoting best efforts to customer service and team success, while meeting the highest standards of behaviour.

Ambition reflects an appetite for challenge and leadership, with the goal of winning, as a team, a series of contests in which the client is judge.

These core values were chosen in 2000 and redefined in 2006. In *Ambition*, the in-house newsletter, the Chairman described how the Group's values reflect its goals.

The same spirit presided over the work of defining the management principles and attitudes that are expected to govern the behaviour of all team leaders. These principles have been translated into the new format for annual performance evaluations. A single evaluation form is now used throughout the Group, across all business lines, territories and levels of responsibility.

### Human Resources policy framework

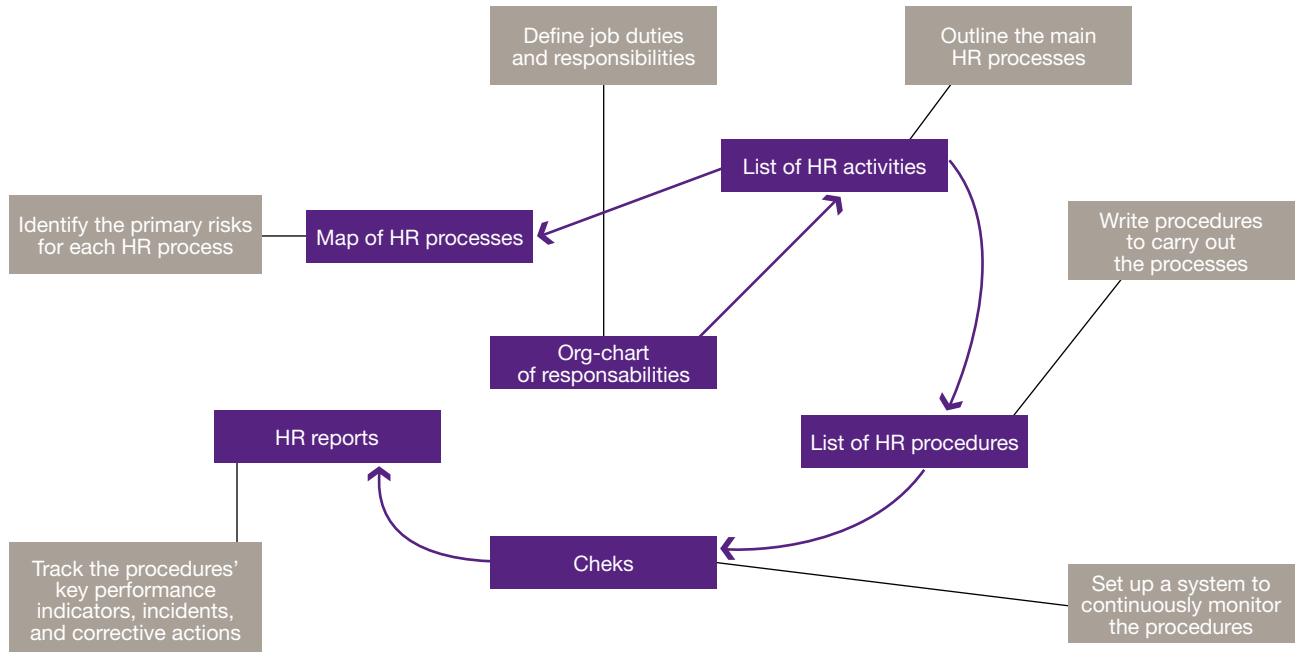
The human resources (HR) responsibilities charter was updated in 2007 as part of an overall review of the work and organisation of the Group's various functions.

The list of HR activities was also overhauled in 2007 and is now divided into ten areas, six involving HR management and four covering support functions. This policy framework provides a structure for the ongoing HR controls: risk mapping, procedures, key controls and reporting.

In parallel, the list of procedures is updated and extended on a regular basis to include new organisations and delegations and changes in processing procedures.

A scorecard of thirty major operational risks has been compiled for the Group. Among these operational risks, concerning HR discrimination has been deemed a determining risk factor by BNP Paribas. A grid of potential incidents giving rise to risk of discrimination was prepared in 2008, and action plans to counter it have been written up.

### Fundamentals of HR management



### The delegations

In view of the diverse businesses and cultures brought under one roof when BNP Paribas was formed, the Group elected to have an integrated human resources organisation. By developing consistent career management and compensation practices, the groupwide human resources organisation enabled the merger to be conducted successfully.

Subsequently, the Group human resources organisation simplified decision-making processes and empowered local management by broadening the responsibilities of the various core businesses, subsidiaries and countries, as well as expanding the role and scope of Group-level operational leadership in the management of key positions.

Group Human Resources is responsible for following the careers of executives and upper-level managers in key posts under its oversight, and it takes the lead in managing career paths for high-potential employees.

## Observance of the UN Global Compact

With a presence in 83 countries, BNP Paribas operates in a variety of political and regulatory environments. This means that the Group must take particular care to ensure compliance with the principles of the United Nations Global Compact, to which it is a signatory.

In 2008, 49 countries were identified by authoritative organisations (84) in this field as representing the greatest risk in terms of human rights. BNP Paribas is present in fifteen of these countries, employing staff accounting for 3.3% of its total global headcount. In the most risk-exposed countries, where regulations are often quite lax, local human resources departments apply Group rules to all employee management procedures.

BNP Paribas and six other major French groups have helped to found *Entreprises pour les Droits de l'Homme* (EDH – Companies For Human Rights). EDH seeks to identify practical ways in which companies can ensure observance of fundamental human rights. It works with organisations such as Amnesty International that focus on human rights, and it undertakes to promote this approach among other companies. In December 2008 EDH celebrated the 60th anniversary of the Universal Declaration of Human Rights in Paris.

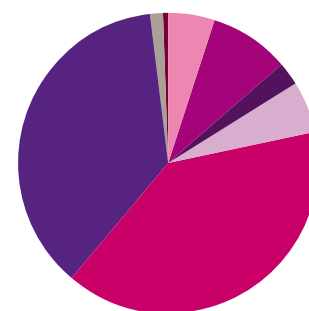
## Workforce evolution <sup>(2)</sup>

To keep up with business growth, total Group staff expanded to 173,188 net permanent paid (NPP) employees at 31 December 2008, an increase of 10,501 from one year before.

The increase reflects continued external growth with the acquisitions of Sahara Bank JSC in Libya and JetFinance International in Bulgaria as well as organic growth of retail banking in emerging countries.

The Group's worldwide workforce breaks down as follows:

## Breakdown by geographic area



Africa	5.1%
North America	8.8%
Latin America	2.3%
Asia	5.4%
Europe (excluding France)	39.6%
France	37.1%
Middle East	1.3%
Oceania	0.4%

## Workforce in France and outside France

The Group is present in 83 countries, with more than 60% of its workforce outside France at 31 December 2008.

	2006	2007	2008
France	57,123	64,080	64,217
Europe (excl. France)	53,461	62,473	68,542 <sup>(1)</sup>
North America	14,810	15,046	15,222
Asia	5,571	8,833	9,494
Africa	6,201	6,692	8,883
Latin America	2,924	3,287	3,957
Middle East	1,308	1,700	2,194
Oceania	513	576	679
<b>Total</b>	<b>141,911</b>	<b>162,687</b>	<b>173,188</b>

<sup>(1)</sup> Includes Italy: 19,397.

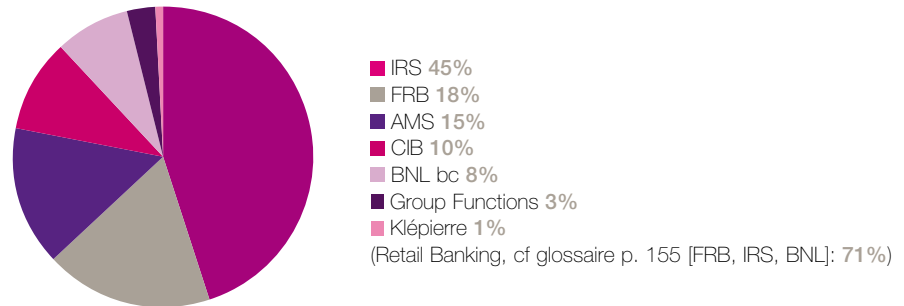
<sup>(1)</sup> Source: Amnesty International, Freedom House and Eiris.

<sup>(2)</sup> For human resources development data, the scope of this analysis is the entire NPP workforce managed by BNP Paribas as opposed to the consolidated workforce, which is limited to staff working for fully or proportionately consolidated entities calculated pro rata to the consolidation percentage of each subsidiary:

In NPP	2002	2003	2004	2005	2006	2007	2008
Consolidated workforce	87,685	89,071	94,892	101,917	132,507	145,477	154,069
Total workforce	92,488	93,508	99,433	109,780	141,911	162,687	173,188

## By business line

In 2008 the proportion of the workforce in growing businesses increased primarily outside France, while the proportion in retail banking in the more mature markets of France and Italy declined.

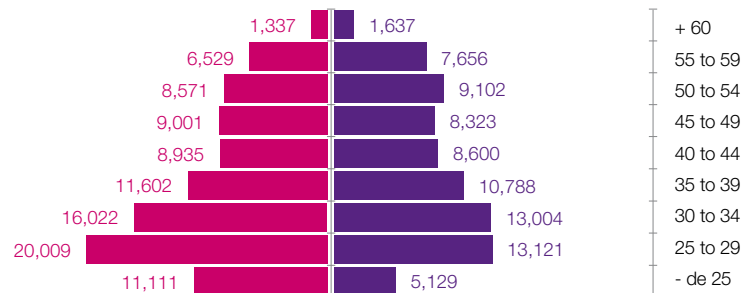


## Age pyramid

The Group's age pyramid remains balanced overall. The lower age groups are predominant in most of the Group's divisions, while the opposite is true of retail banking in France and Italy, where the age pyramid is closer to the standard pattern of employment demographics in continental Europe<sup>(1)</sup>.

## Group age pyramid - headcount (December 2008)

Women: 93,117 (54.6%) Men: 77,360 (45.4%)



## Key challenges of human resources management

Amid the crisis that has struck the financial industry, BNP Paribas today stands out as one of the most robust and profitable banking groups. This is in no small part a result of the personal commitment of each employee, day after day, in the service of the Group's goals. The diversity of BNP Paribas – in its business lines with their particular histories, in its languages, cultures, etc. – represents an ongoing challenge, as does employees' adherence to Group values and strategy: as an enterprise, the Group must be attentive to each person's expectations and must know how to be responsive to them by adapting its human resource policies and managerial practices.

In the extremely turbulent environment of 2008, the Group confronted four major challenges in human resources management: keeping up with development and change, valuing and motivating staff and retaining their loyalty, promoting diversity, and always listening to employees' concerns.

<sup>(1)</sup> Calculated on the basis of physical headcount managed by the Group, one for one.



## Keeping up with development and change

The Group's total workforce (NPP) has risen from 99,433 in 2004 to 173,188 in four years, an increase of 74%. Staff numbers outside France surged 141% over the same period, rising from 45,070 to 108,971.

The Group is expanding internationally, and human resources management must consequently meet two main challenges:

- anticipate employment trends by forecasting the cumulative effects of organic growth, productivity gains and the Group's age pyramid, which will bring about an average of 1,100 retirements per year by 2020 at BNP Paribas SA in France alone;
- develop the managerial resources needed not only to take the helm as key positions become available through natural attrition, but also to drive the Group's development and external growth plans.

The increasingly high levels of expertise required in the business lines and the Group's changing demographics make identifying and retaining talent a critical element of human resources management. This element presupposes a committed policy of adapting the job to the resource, taking into account the entire population of the Group without discrimination on the basis of age, sex or nationality.

### ■ Adapting quantitatively and qualitatively the workforce

Negotiations on forward-looking management of jobs and job skills began in early 2008 and are continuing, with the prospect of reaching an agreement in 2009.

To meet the challenges resulting from business changes and major Group projects, such as the need to recruit in several business lines and eliminate positions in a few other entities, two kinds of measures have

been taken, following the objectives set in early 2008 and complying with the terms of the Group's social agreement in France: reclassification of job holders between business lines and oversight of outside recruitment. For this purpose, a special staff unit coordinates job management policy across divisions, business lines and support functions.

In parallel with these measures, the BNP Paribas SA jobs adaptation plan for 2006-2008 has gone forward, with an upward revision in the potential number of assisted departures in line with the initial objectives of the plan. During 2008, 339 employees left the company under this plan, 304 for the opportunity to take another salaried job and 35 to start or take over a business. The average number of jobs created by each of these departures is 1.2, counting new business formation and expansion.

Within BNL in Italy, the plan that was the subject of agreements signed in November 2006 with trade unions on retirement, recruitment, mobility and professional development has gone forward in accordance with the forecasts made in 2008:

- 604 employees left the company;
- 720 new hires were made;
- 1,000 employees took advantage of mobility opportunities;
- more than 78,000 days, or close to 585,000 hours, of training were provided.

### ■ Ensuring recruitment that meets the specific needs of each business

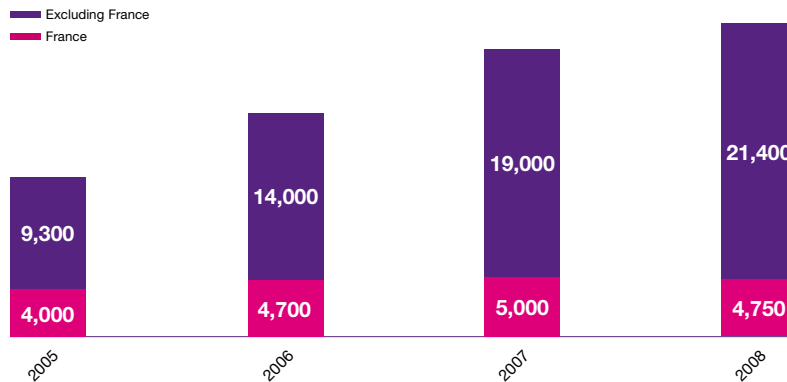
Recruitment held at a high level until August but then declined as economic conditions deteriorated. During 2008 as a whole, 26,158 new permanent hires<sup>(1)</sup> were made worldwide, compared with 24,080 in 2007. In France, recruitment was lower than in 2007 but still substantial, with 4,748 hires on permanent contracts.

<sup>(1)</sup> Excluding movements of Personal Finance Bulgaria and Sahara Bank, which were included in the workforce data during the year.

BNP Paribas –  
an attractive Group

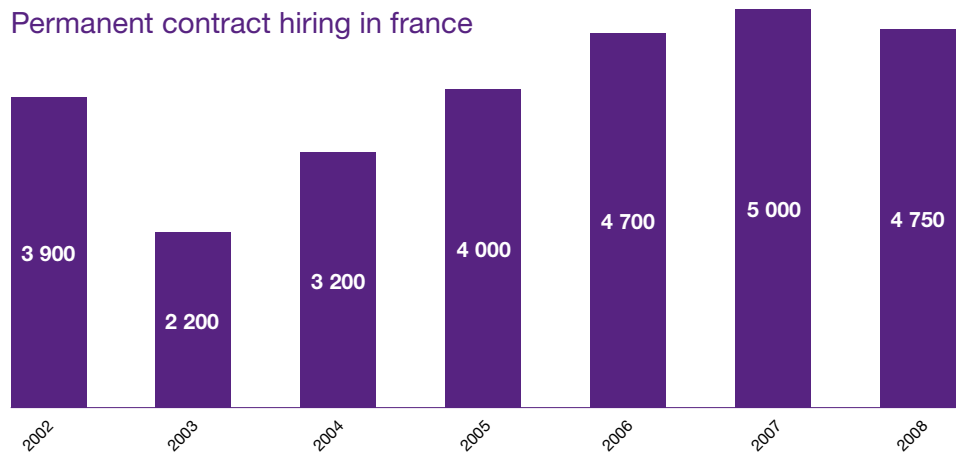
BNP Paribas remained in 1st place, for the third year in a row, on unprompted attractiveness as scored in the TNS Sofres 2008 survey of third-year business school students and held on to 2nd place among engineering school students, making it the no. 1 bank and the no. 1 service-sector enterprise cited by this population. BNP Paribas also placed 1st in 2008 among business students in the Student panel of Trendence Institute, conducted among 15,000 students of more than 151 training institutions (4th in 2007).

Recruitment of permanent employees (excluding fixed-term contracts)



The distribution of hires in France by age profile was stable in terms of relative shares, with young graduates accounting for 45%. There were 768 hires on work-study contracts, including 456 in professional internships and 312 in apprenticeships, comparable to the levels in 2007. At 31 December, there were 1,246 young employees on work-study. The number of trainees taken on under the VIE (Volontariat International en Entreprise) programme was stable, with 205 volunteers sent on missions in 2008 compared with 207 in 2007. The number of work placements for master's students also increased to over 1,200.

Permanent contract hiring in france



Close links with schools and universities

Recruitment policy was scaled down in 2008 to match the decreasing needs, but without sacrificing any of the key policy components. Relations with schools were actively maintained, with more than 100 events organised. The flow of candidates for pre-recruitment (internships, VIE, work-study) held at about 64,000 CVs, a volume comparable to 2007.

The Ace Manager programme, a business game on selected campuses in 26 countries, boosted recognition of BNP Paribas as a brand-name employer among students outside France. The Group's international recruitment site, *careers.bnpparibas.com*, was updated with a redesign.

These initiatives have all served to maintain or raise the Group's attractiveness score among strategic target populations.



### The Louveciennes Training Centre

**The Group training centre, in the magnificent setting of Louveciennes near Paris, is a veritable company university. Its mission is not just to build competencies but to provide a forum for sharing ideas and building company spirit. Employees from all businesses, countries and cultures come here for training sessions. In 2008 nearly 21,000 employees came here to participate in integration seminars, business-specific courses, cross-functional training programmes and major Group events.**

### Combating discrimination

A Code of Ethics for all Group employees with a role in the recruitment process has been drawn up and disseminated. This Code is supplemented by two documents to help employees evaluate candidates' skills: a methodological guide for the individual interview and a grid to formalise and document the decision taken after the interview of the candidate.

### Diversity of educational backgrounds

Young graduates of quite varied educational backgrounds – trained in social sciences, literature, sport, communication, etc. – find a place in the banking trades and help to diversify employee profiles, as investment advisers and junior account managers. With a two-year or four-year post-baccalaureate diploma in hand and aged less than 26 years, they undergo a year of work-study training in law, finance, taxation and customer relations management in a banking environment. They thereby acquire professional experience in the field as well as solid theoretical training, provided in partnership with the consortium of local public educational institutions (Greta).

### ■ **Developing skills of employees and teams**

#### Training as a tool of business effectiveness

Given the rapid pace of transformation in businesses, work organisation and the labour market, training and skills development is a key means of:

- raising employees' performance levels;
- enhancing their employability within the enterprise;
- valuing them and developing their loyalty.

Training supports each employee in his or her willingness to learn in order to achieve professional objectives and prepare for future changes. In addition, train-

ing provides a means to become better acquainted with the Group and its culture, its environment, and the regulations that cover banking activities. Lastly, training mechanisms foster exchange of knowledge between employees as a means of sharing skills. To be effective, training sessions must be tied together and made part of a long-term training programme. The Group's training curriculum is constructed by combining professional training for the business lines with cross-functional Group training.

In support of this training policy, BNP Paribas has a training centre that serves as a campus for bringing together employees from throughout the Group.

### Raising employees' performance levels

The training provided by the business lines is intended primarily to raise the level of employees' professionalism and expertise in their field. For this reason, each business line draws up a training plan that seeks to maintain competencies at the level needed for employees to exercise their responsibilities. The training programmes are designed and developed with the help of training specialists in order to make optimal use of new apprenticeship arrangements. The training curriculum thus combines classroom training with e-learning, and the training approach is supplemented by testing to ensure that appropriate knowledge is imparted.

Effective performance also requires acquisition of more multilateral skills, such as:

- proficiency in English – deployment of the Step-up programme introduced in 2007 continued throughout 2008;
- knowledge of compliance principles – programmes to raise awareness and understanding of the broad principles of preventing money laundering and handling conflicts of interest have been delivered in the form of e-learning;



Performance evaluation training recognised for merit

**BNP Paribas' Serious Game performance evaluation interview was awarded a prize in the most recent International IntraVerse Serious Game Awards competition. This prize recognises the Group's initiative and highlights the value of "serious games" as a component of professional training.**

- professional development – training in supervision, project management, personal effectiveness and operations management is provided frequently at the Group training centre in Louveciennes, where 1,567 executives received training in 2008.

Enhancing employees' employability with the Group

To face up to the massive changes affecting business lines within the banking industry, enhancing employees' ability to move from one business to another has been made a priority.

A first step in this direction was accomplished in 2008 by instituting a new support mechanism for employee mobility.

Called "Pro mobilité", this mechanism covers any Group employee in France who has officially applied for a mobility transfer or is considering whether to apply. The purpose of the mechanism is to:

- realise the value to the Group that is gained from naturally dynamic mobility in a context of ongoing sharp changes within BNP Paribas;
- prepare employees for their mobility transfer;
- support the reorganisations that mobility transfers will entail;
- foster exchanges and better understanding of the Group through sharing between participants.

In 2008, seven sessions open to more than 80 people met with great success. This mechanism thus provides an effective way for the bank to support employee transfers during a period of sharp changes.

Training of new employees

Introductory training enables new employees to learn about BNP Paribas and understand how the business units where they work fit into the whole. These programmes provide an occasion for new hires to build their first network of acquaintances within the enterprise. They help to create a sense of belonging by offering shared terms of reference as regards values, business principles and methodologies. Introductory training is just one among other highlights of new employees' first days; others are meeting their managers and fellow team members for the first time, being shown the work station where they will sit, and learning about the environment in which they will operate.

Welcoming new employees is also the occasion to show them how innovative the BNP Paribas Group is. To this end, the training engineering staff has developed a novel approach that couples new technologies and knowledge of the Group in a "serious game" that teaches about banking activities as it is being played. This game is part of the introductory programme for new employees.

**Valuing, motivating and building loyalty**

■ Building loyalty with competitive remuneration

Remuneration

Work performed, skills and level of responsibility are remunerated by base pay commensurate with the employee's experience and the market norm for each business. Individual performance is rewarded by variable pay based on achievement of set objectives. Variable remuneration takes different forms in different business lines.

The Group strives to apply a fair, competitive and selective remuneration policy.



- annual performance reviews are driven by a search for fairness in accordance with a global procedure monitored by Group Human Resources.
- the Compensation and Benefits department of Group Human Resources updates annual benchmarks by business, type of post and country. This process is illustrative of the importance given to competitive fixed and variable pay.
- remuneration is revised in accordance with selective criteria that are closely linked to the development of the employee's skills, responsibilities and performances as reflected in the annual performance evaluation.

#### An extensive range of benefits

##### **Employee savings plans**

##### **Incentive and profit-sharing plans**

The Group seeks to optimise collective profit-based incentive schemes according to the legal, social and tax context of each entity: profit-sharing (mandatory) and incentive (voluntary) plans in France, similar "profit-sharing" plans in many other territories.

#### **Profit-sharing and incentive plans – BNP Paribas SA**

<b>Amount payable in respect of the year listed (in euros)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Total gross amount	116,769,620	148,701,874	186,076,788	227,719,000	232,530,560	84,879,969
Minimum amount per employee	2,328	2,945	3,772	4,696	4,728	1,738
Maximum amount per employee	7,831	10,020	10,689	12,732	12,800	4,641

##### **Employee share ownership**

The Group has always encouraged employee share ownership through an annual share issue reserved for employees. Since the formation of the BNP Paribas Group in 2000, the worldwide employee share ownership plan has offered employees the opportunity to become shareholders of their own company for a minimum period of five years. They are entitled to a discount on the shares they purchase and to top-up payments from the company. To date, eight share issues have been offered to Group employees.

##### **Employee savings plans**

These plans enable employees to build up their savings, in particular with a view to retirement, while at the same time optimising local tax treatment and social benefit schemes.

Outside France, supplementary pen-

sion schemes are the preferred means, whereas in France employee savings plans allow staff to set up savings accounts that receive preferential tax treatment in return for a medium-term holding period. These plans can be topped up by payments from incentive and profit-sharing plans, by voluntary payments from the employees themselves, and, where applicable, by partial matching payments from the company. Employees can choose the investment vehicles that suit their objectives: funds invested in BNPP shares, in diversified equities, in bonds, or simply a blocked cash account. PERCO, the Group retirement savings plan, was introduced in 2005, and several thousand employees have subscribed to it. The savings become available on retirement, in the form of an annuity or a lump-sum payment. Top-up payments into PERCO amounted to EUR 6 million in 2008.



Paribas El Djazair company benefits

In 2008 BNP Paribas El Djazair introduced a supplementary health coverage plan. All employees can subscribe to a mutual insurance plan that offers good benefits and competitive rates. A pioneer in this respect in Algeria, the bank pays 75% of the premiums, with the remaining 25% shared between the social welfare scheme and the employee in proportion to the employee's income. This plan also covers employees' spouses and children.

BOMBAY



**Other company benefits**

The Group has a longstanding benefits policy of providing a high level of protection to its employees. These mechanisms have been harmonised, particularly outside France, with the aim of ensuring greater consistency between local systems that are sometimes quite disparate. Outside France, the Group seeks to provide company benefits that cover medical consultations and hospital stays to its local employees and their families.

**A flexible customised contingency plan in France**

BNP Paribas' personal contingency insurance plan was set up under a company-wide agreement and has few equivalents in French companies. This flexible plan offers staff a high level of cover for absences from work due to illness, disability or death. Starting from a basic plan that applies by default, employees adjust the protection to their personal or family situation by choosing benefit amounts and supplementary cover as needed: higher benefit for accidental death, education annuity, temporary income for the spouse, one-off payment in the event of the death of the spouse. Choices can be modified regularly. An enterprise agreement in 2008 extended a number of benefits under the personal contingency plan. This flexible benefits plan applies in 36 French entities and covers more than 62,000 people.

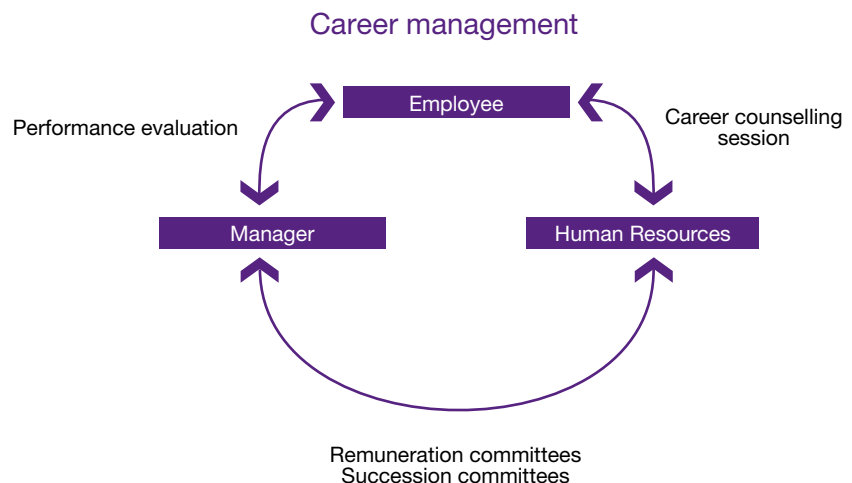
■ **Dynamic career and mobility management**

Career development efforts in 2008 focused on improving the management processes in several areas, such as expanding the scope for identifying high-potential executives, incorporating evaluations of managerial performance into the identification process, and ensuring effective succession management.

Career management that prepares and supports employees' advancement

BNP Paribas' career management policy is designed to enable each employee to progress continuously within a coherent, well-constructed framework. The Group invests in various ongoing training programmes adapted to individual profiles and aspirations.

Career management is based first and foremost on the relationship between the employee and his or her "manager". Human resources managers' mission is to monitor this relationship and to follow up on each individual's career advancement.





KIEV

### Organised succession process

One of the Group's most important career management projects is preparing for the future by ensuring long-term succession for executive management positions. Succession committees that bring together managers from the various divisions and functions and human resources managers meet once a year to identify high-potential executives who could in future take over key posts within the company. The Leadership for Development programme was set up in 2005 to help these executives draw up individual career development plans in conjunction with their immediate superiors. For a limited number of key posts, a People Review mechanism has been set up for the Executive Committee.

In addition, for junior managers, a special career-tracking mechanism has been put in place, with one-on-one career counselling sessions, customised seminars and meetings with Group leaders. Several different tracking programmes are offered to assist them through the main stages of their early careers. These include *Cadres à Potentiel Juniors* for high-potential junior managers and *Diplômés de l'Enseignement Supérieur* (DES) for holders of advanced degrees.

### Transmitting the culture and strategic messages of the Group

An ambitious project, the Talent Development Program, was launched to better identify and further the careers of high-potential employees. This is a collaborative project, created with the help of HR and other managers from the various divisions and territories. The goals are to ensure effective management succession and to keep pace with the Group's growth. In April 2008 this programme had been deployed in 17 territories. Under it, more than 200 HR managers, including 80 assigned to posts outside France, underwent two modules of training. Deployment kits with full documentation were prepared for HR and operating managers and executive committees of the business lines and territories.

The Talent Development Program provides 3 programmes of training courses. *Leadership for Development*, established in 2005 in partnership with *Collège de l'École*

*Polytechnique*, is intended for experienced high-potential managers and designed to enhance leadership abilities. It is organised in two sessions, and it drew 156 participants in 2008. Two new programmes intended for more junior employees with high potential were added in 2008: *Go to Lead* and *Share to Lead*. The pilot sessions of these programmes, which proved to be highly satisfactory, drew 114 participants.

Two programmes for senior executives, PRISM and NEXTEP, also continued in 2008. The objectives of these two programmes are closely linked to those of career management policy. They are to create and nurture a community of senior executives in key positions (PRISM) and to help ensure success in high-stakes career moves (NEXTEP). The aim is to ensure that training and career management policies are complementary and that conditions are in place to provide senior executives with the skills they need to drive the Group's development. In 2008, 146 people took part in five PRISM sessions, with the target being key "manager of managers" posts. 28 participants attended the three sessions of the NEXTEP seminar, which is targeted at managers faced with a substantial increase in responsibilities.

### A dynamic mobility policy

Career mobility is not only a competitive advantage of BNP Paribas but also a preferred means of adapting the Group's human resources to the development of its business operations. It allows employees to enhance their professional experience and move ahead in their careers. Different forms of career mobility can help develop employees' potential in new business lines and enable them to acquire new skills:

- *functional mobility*. Mobility need does not mean a change of position; it can also mean professional development via enhancement of the employee's skills, abilities and knowledge;
- *geographic mobility*. The employee moves to another town or, in the case of international mobility, to another country;
- *inter-company mobility*. The employee moves from one Group entity to another.



TOKYO

Although the diversity of the Group's businesses allows huge scope for career mobility, choices must take account of individual aspirations while at the same time ensuring that optimum use is made of the skills already gained by the employee. For this reason, the Group's performance evaluation system encourages discussion between employees and managers as the basis for career management.

In 2008 the *E-jobs* intra-Group mobility information tool was put online. With this tool, employees can learn about jobs posted by the various entities via an extranet or intranet connection. HR managers in a country can post available job positions, and employees can apply for them online. Deployment is underway in Germany, Japan, India, the Gulf States and Switzerland.

Following an external audit on mobility, a team International Mobility was organised to provide better support to expatriates through cross-cultural training and assistance in finding employment for spouses. This service is offered to the divisions and functional departments for their expatriates. The number of job openings posted on *E-jobs* is currently around one thousand for France, Italy and Spain.

### Promoting diversity in all its forms

Before the merger, BNP was predominantly characterised by one business in one country: Retail Banking in France. Over the past few years, business lines and operating territories have multiplied at an accelerating pace. The structure of the Group today reflects this evolution and shows a balance across business lines and geographic areas.

#### ■ BNP Paribas and its commitment to diversity

With more than 170,000 employees of more than 160 nationalities in 83 countries, BNP Paribas views staff diversity as a major strength for *the bank for a changing world*, a strength that enhances performance. The Group has a duty to be a beacon of corporate social responsibility. The Global People Survey conducted in-house in 2008 showed that environmental and social responsibility and diversity are key drivers of employee commitment, in 2nd place behind only leadership. BNP Paribas also believes that mixing together people from different backgrounds serves as a source of creativity and effectiveness by mirroring the surrounding society.

Non-discrimination is a prerequisite for managing diversity. For this reason, the Group has identified discrimination as one of the thirty major operational risks.

BNP Paribas signed the Diversity Charter in France in 2004 and has since waged an active policy of combating discrimination and promoting diversity, notably by naming a diversity officer in 2005 and a manager of the Handicap Project in 2006 and by launching the Banlieues Project in 2006.

In 2006 and 2007, several external audits of non-discrimination and diversity at the Group revealed the strong points and the points that still need work. Action plans were drawn up on the basis of these audits. Diversity policy is underpinned by a set of non-discrimination principles common to all procedures throughout the Group. For the 2007-2010 period, diversity policy is articulated along four dimensions, with goals that will be updated as the Group evolves: diversity of origin, gender equality, employment and accommodation of persons with disabilities, and age diversity.

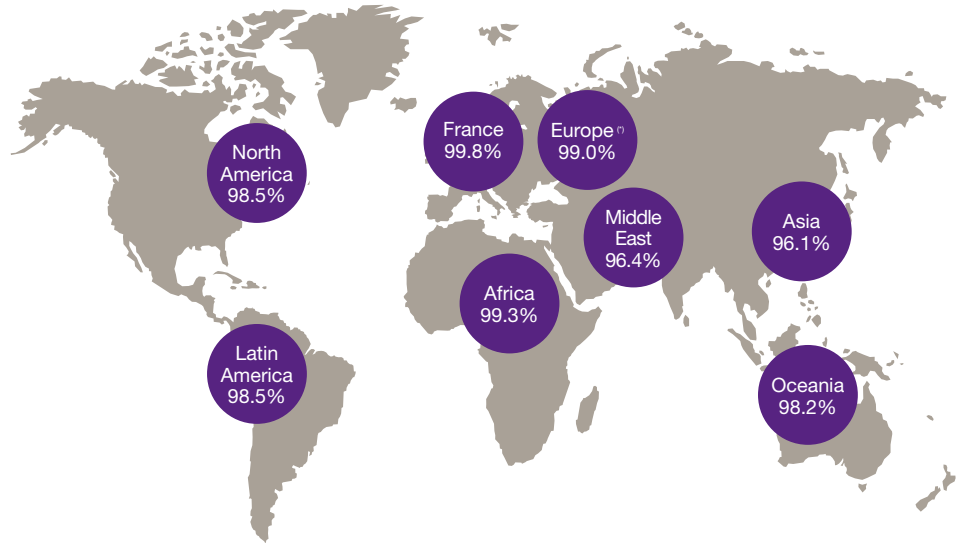


### Dedicated international teams

By employing local people, BNP Paribas directly contributes to the development of the countries in which it operates and is thus naturally integrated into the differ-

ent cultures and communities concerned. Local employees<sup>(1)</sup> can gain access to positions of higher responsibility within the subsidiaries and branches and pursue careers within the Group

### Percentage of local staff employed by geographic area



### Recruitment

Recruitment is governed by a rule of non-discrimination: job postings make no mention of sex, and hiring criteria are based exclusively on the skills and qualifications of the candidate. Men and women are guaranteed the same grade level and starting salary when hired for a given post with the same level of experience and training.

In France, numerous oversight tools and actions have been developed by the central recruitment unit: quantitative recruitment audits, site audits of recruitment centres, diversity training for recruiting staff. In 2008 a handbook for conducting individual recruitment interviews was prepared in collaboration with the *Observatoire des Discriminations*. This handbook includes a code of ethics, an analytical grid, and a how-to guide for the individual interview. The candidacy management tool implemented in 2006 provides detailed, documented tracking of the candidate throughout the recruitment process. Another tool evaluates candidates' professional behaviour in a consistent, uniform way. Lastly, the hiring interview

processes are a focal point for oversight in the HR internal control system.

In 2008, BNP Paribas in London expanded its "sourcing policy" for young graduates and its list of target universities to attract a more diversified set of candidates. It has entered into partnerships with associations of students of a number of different origins: Women in Business Society – London School of Economics, Imperial College Arabic Society, Cambridge University Arabic Society and Cambridge University German Society. The Group's brochures, websites and other tools of communication about recruitment have been redone to attract a broad sample of candidates as well as specific groups such as the National Black MBA Association.

To draw more female candidates, the London staff worked with women in the branch network in London to organise Women Insight Days in 2008. For three days, female students could attend presentations and discussions on corporate finance jobs, visit the trading room and participate in question-and-answer sessions with women executives of the Bank.

<sup>(1)</sup> Employee not under the expatriation agreement regime.



[BNP Paribas, the 1st bank in France to obtain the AFNOR diversity label](#)

**BNP Paribas is the only bank in the first group of seven companies to receive the AFNOR diversity label. Conferred in recognition of the Group's policy against discrimination, this label is awarded by France's national standards organisation (AFNOR) on the recommendation of a committee of representatives from government, labour unions, employer associations and France's national association of human resources directors (ANDRH). Companies are evaluated for this label on the basis of specifications covering five areas: achieved diversity, diversity policy, internal communication, activities within the company, evaluation and areas in need of improvement.**

[BNP Paribas the no. 1 private employer in Seine-Saint-Denis](#)

**With the arrival of 6,000 employees of its BNP Paribas Securities Services subsidiary at the Grands Moulins de Pantin complex, renovated and adapted to meet the HQE environmental standard, BNP Paribas has become the largest private employer in Seine-Saint-Denis. In addition, as part of its Banlieues Project, BNP Paribas in 2008 enabled its partners ADIE and AFEV to open a new centre at Aulnay-sous-Bois and Saint-Denis, thereby providing a stronger anchorage for its social services to the community.**

[Training in diversity](#)

In 2008 a one-day training session for managers on managing diversity as component of performance – their own and the Group's – was deployed on a pilot basis in the business lines and departments. 450 managers attended. It will be expanded in 2009 to a target sample of 1,000 managers. The training session combines theoretical background, individual work on each person's stereotypes, pair exchanges and case studies.

[Career development](#)

BNP Paribas is committed to all of the following principles: evaluation and career direction are based exclusively on professional skills and qualities; criteria for promotion are identical for men and women; family obligations and constraints are considered in managing mobility transfers; and alternative working schedules, in particular part-time, do not penalise an employee's prospects for career development or pay.

In France, the Bank has made commitments on specific actions at pivotal stages of employees' careers: on convergence of rates of promotion for men and women; on systematic career interviews with all employees having fifteen to twenty years of business experience; on systematic career interviews with all part-time employees returning to full-time work; and on increasing the proportion of women executives.

The Talent Development Program, an international talent-spotting programme, takes into account managers' ability to promote a multicultural, cross-functional approach.

■ Diversity of origin

[Promoting talent of every kind, regardless of origin](#)

Respecting diversity among employees and candidates is a corporate social responsibility. In many of the countries where the Group operates, discriminatory practices within companies are prohibited by law. The Group owes itself to be ever more open to hiring talent of every kind and every origin, ethnic, religious, cultural or social. After hiring and over the course of a career, assessment of a person's capabilities must be based exclusively on appraising contributions made and competencies demonstrated at every stage along the way.

[International teams](#)

As BNP Paribas has grown and expanded internationally, the Group's worldwide workforce has increased every year since 2000, rising to more than 173,000 employees at year-end 2008. In eight years, the percentage of employees outside France has risen from 40.8% to 63%. To go along with this very rapid international expansion, BNP Paribas strives to include more international managers in its executive teams, as demonstrated by its appointment to the Executive Committee of a member who is not a French national.

The Group's expatriation policy has been devised to help develop an international corporate culture and facilitate the building of international teams. An expatriation kit, a support programme for expatriate spouses, and cross-cultural training are provided with these goals in mind. In the United States, a new training programme has been designed for employees transferred from other countries. The programme sensitises these employees to cultural differences that can have an impact on methods of working, managing and collaborating with others.





#### Outreach to visible minorities in France

In the educational area, BNP Paribas signed the Apprenticeship Charter in 2005 and the Charter on Equal Opportunity in Education in 2006. BNP Paribas SA focuses on work-study arrangements that enable young people at baccalaureate level from all backgrounds to continue their studies under an apprenticeship or professional internship contract. Each year, the Group trains approximately 1,000 young people on internships and close to 300 on apprenticeships. These two-year contracts involve tutors to follow each of these 1,300 students, who become eligible to be recruited for permanent staff positions at the Bank after they have obtained their diplomas.

To limit the self-censorship that prevents minority candidates from applying, and thereby to diversify the candidate pool, BNP Paribas organises numerous outreach events among visible minorities in France. To promote equal opportunity, the Group participates in job fairs oriented towards visible minorities and in employment diversity forums in underprivileged areas. These include IMS, Africagora, AFIJ, the *Zéro Discrimination* initiative in Lyons, and the *Nos quartiers ont du talent* project with MEDEF, the French employers' association, etc.

BNP Paribas Personal Finance is a partner of *Nos Quartiers ont du talent*, an association formed in 2005 to build bridges between companies and young graduates from disadvantaged neighbourhoods. The project brings hiring employers face-to-face with young graduates (four or more years post-baccalaureate) from the Seine Saint-Denis department. The collective sponsorship programme launched in 2008 has had success: in December 2008, 25 of 48 young graduates sponsored by 26 Personal Finance employees, 3 of them members of the entity's Executive Committee, had found a job with the help of this sponsorship.

Every year since 2005, BNP Paribas has been successfully holding hiring events called *Entretien Immédiat* at bank branches

in Paris and the surrounding area. At these events, graduates of all origins with 2 to 5 years of post-baccalaureate study can come into a branch and apply for a job on the spot, with no need to make an appointment beforehand.

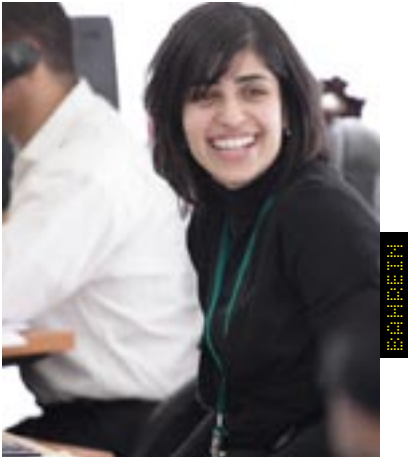
In March 2008, BNP Paribas and nine other large employers from the private and public sectors (Accenture, AXA, Ministry of Defence, L'Oréal, SNCF, La Poste, Orange, Keolis, TLF), jointly with ANPE and the Conseil National des Missions Locales, conducted an innovative recruitment initiative to promote diversity, *Le Train pour l'Emploi et l'Égalité des Chances*.

#### ■ Gender equality in the workplace

In 2004, in accordance with governing law, BNP Paribas chose to examine the conditions under which the principle of equality between men and women was actually being borne out within the Bank. Although well represented in the workforce, women are in some cases coming up against a "glass ceiling" that is keeping them from rising above a certain level. Upon this finding, the Group committed to foster equal opportunity and treatment between men and women at all stages of professional life and to do more to bring women into management positions.

#### Company agreements

BNP Paribas SA signed a new long-term agreement on gender equality in the workplace in July 2007. This agreement takes the place of the previous one on the same subject, signed in April 2004 for a term of three years. The new agreement sets down the principles that should be followed in observing and developing equality of opportunity and treatment between men and women at all stages of professional life. It provides for means of fostering work/life balance and for closing, over a period of three years, observed pay discrepancies between men and women at the same grade and with comparable levels of training, responsibility and professional effectiveness as revealed by evaluations of their performance, skills and experience. A funding envelope of



### Conference in Bahrain

**More than 200 people from the Gulf region accepted BNP Paribas' invitation to the Women and Leadership conference in Bahrain. Royal families, government representatives, business leaders, news media, students – all sectors of the economy and society were represented at this extraordinary event in honour of diversity. The conference programme included presentations, case studies, first-person accounts and exchanges. The conference was not only about offering women their rightful place in business and society, but also about reflecting on how to attract talent in the BNP Paribas Group. With this initiative, BNP Paribas in Bahrain added another dimension to the Group's drive for diversity.**

EUR 3 million has been provided. Some pay discrepancies were closed in 2008, and the operation will continue in 2009.

At BNP Paribas Assurance, a special committee determines what individual gap-closing measures are to be implemented to meet the agreed gender equality indicators.

### The gender Equality label

Personal Finance and BNP Paribas Assurance have been awarded this professional Equality label in recognition of their actions to encourage equal opportunity and treatment of men and women in the workplace. These actions relate to sensitisation of management, parental leave for education, extension of paternity leave to two calendar weeks with full pay, enhanced support for maternity leave, comparable pay studies and implementation of tracking indicators. The gender Equality label is an effective tool in advancing equality and evenness between the sexes in business and enhancing the social dialogue. It was instituted by the Ministry of Labour in 2004 and is awarded for three years at a time.

### Proportion of women in positions of responsibility within the company

In 2008 in France, the percentage of women promoted into management-rank positions (as defined in the banking industry collective agreement) or management positions (for subsidiaries not governed by that agreement) was 32%, up from 28.5% in 2007. At BNP Paribas SA, the proportion of women executives has been rising steadily in recent years; it was 38.8% in 2005, 40.3% in 2006, 41.4% in 2007 and 42.6% in 2008 <sup>(1)</sup>. In 2007 BNP Paribas surpassed the 40% target set by the banking industry for 2010 in terms of the proportion of women in the management population. The Bank's own target for 2010 is now 44%.

### Gender equality networking

In France, under the impetus of Group Human Resources, a working group of women in upper management positions was formed in late 2004. It is called Mix City, and its mission is to propose measures to make life easier for women in the workplace and bring more of them into upper management positions. The working group acts along three lines:

- develop women's managerial potential: networking and a study on coaching;
- achieve a better work/life balance: concierge services;
- neutralise the maternity period as a factor in career management: maternity leaflet and influence to propose more progressive procedures within BNP Paribas SA.

Other networks on the model of Mix City have been set up in Luxembourg in 2007 and London in 2008.

At the initiative of the territory director and the Human Resources department in Luxembourg, a group of women managers there has set up a working group of men and women. One of its major actions consists in transposing the agreement on gender equality in the workplace that was signed by BNP Paribas SA in 2007. Another is to improve communication on gender equality and create conditions favourable for the advancement of female employees. Regarding work/life balance, its recommendations are to assist female employees in managing their work schedules, to favour flexibility and to include more services in the concierge service offering.

In London, the women's networking group sponsored by Human Resources consists of a steering committee of 25 women executives. In 2008 and 2009, the group is concentrating on a mentoring project and on actions to increase the number of women applying for positions in investment banking.

<sup>(1)</sup> 43.1% in NPP stated according to the new standard used in the 2008 Social Report.

### Family-friendly policies

In the United Kingdom, a number of initiatives are in place for employees who are or are about to be parents: paid leave for maternity, paternity or adoption, flex-time via part-time working or teleworking, and year-long sabbaticals. A plan in place since 2008 enables employees with children to buy cheques to pay for childcare out of before-tax income. In London, the Employee Assistance Program can provide employees with counselling from professional advisers, on a confidential basis and at no charge, on financial, matrimonial, emotional or family matters. In the United States, the length and level of pay of leaves for reason of family events have been improved.

### Parenthood

By signing the Parenthood Charter in 2008, BNP Paribas affirmed its commitment to balance between work and private life and to offering employees who are parents an environment better suited to their family responsibilities.

Giving more attention to the wellbeing of each and every employee, BNP Paribas is taking concrete steps such as establishing concierge services in Montreuil, Rueil-Malmaison, Levallois and Luxembourg. A customer satisfaction survey has shown that employees – both men and women – are thrilled to have this kind of services available to them. Leaflets prepared by Mix City on *The gender equality agreement* and on *Maternity and adoption* are published for all employees. The Group has formed a partnership with FEPEM, an association of in-home employers in the Paris region, to advise Group employees in France on the formalities of daycare: filing requirements for the hiring of care providers, collective agreements covering in-home workers, family allowance benefits, available reductions of social security and other tax charges, and so on.

The Group contributed to the publication of a guide on *Promoting parental responsibility among male employees* by ORSE (observatory on corporate social responsibility) issued in November 2008. Copies are distributed to employees.

Starting in January 2009, the eleven-day paternity leave available to employees of BNP Paribas SA comes with full pay.

#### ■ **Employment and integration of persons with disabilities in France**

At year-end 2008, the number of employees with disabilities at BNP Paribas SA was 754. Nearly 70% of them are aged over 50. Integration of persons with disabilities is an important issue of social responsibility for the Group. For this reason, the Group strives to keep such persons in work and to be more effective in hiring workers with disabilities.

### Agreement on employment of persons with disabilities signed in 2008

This agreement came into force on 1 January 2008 for a term of four years. It gives the Bank the means to develop an action plan consistent with its business project and culture.

The objective is to promote recruitment of persons with disabilities by hiring at least 170 such persons over four years, emphasising work-study arrangements and paying special attention to candidates' business experience and adaptability. This approach will be rounded out with processes for receiving new hires and introducing them to their fellow staff members. Keeping persons with disabilities in work will be optimised with physical and organisational accommodations and by providing secure transitions between jobs. Procurement of services from the protected worker sector will be increased.

The signing of this agreement continued a policy initiated several years before. With Handicap Project, begun in 2006, the Bank developed and implemented a proactive policy of employing persons with disabilities as part of its social responsibility policy. The agreement in which the Bank pledged to meet recruitment targets and intensify its efforts to keep persons with disabilities in work was signed in May 2007 with Agefiph, a collecting organisation for corporate contributions. It was renewed in 2008 for a term of four years.

For more than twenty years, BNP Paribas has been working on behalf of persons with disabilities by supporting an employment rehabilitation centre (ESAT) that it formed, Institut des Cent Arpents.

### Accomplishments

#### **Joint labour-management working group**

Initiated jointly with the employee representative organisations in 2007 to look at issues in keeping persons with disabilities in work, this working group identified and specified actions that were included in the enterprise agreement signed in early 2008.



0000

### **Exposition for employees on the topic of handicaps**

*Le talent ne fait pas de différence* (talent makes no distinction) is the title of a travelling exposition mounted in 2008 upon the signing of the enterprise agreement on employment of persons with disabilities. Twelve panels created by Compagnie Regard' en France invite viewers to learn about exceptional artists who had handicaps, from Homer to Glenn Gould.

### **Twelfth annual national week for employment of persons with disabilities**

In observance of this week, BNP Paribas in 2008 held its second annual reception for persons with disabilities and informed them on the kinds of jobs it can provide. Sensitivity training workshops were also organised for employees in Paris, and technologies to help the employer accommodate a worker's disabilities were presented.

#### ■ Age diversity

As part of its diversity and gender equality drive, BNP Paribas follows an employment policy designed to help extend its employees' working lives. At BNP Paribas SA, measures that allowed employees to leave on early retirement were restricted in 2004 and eliminated altogether in 2006. The proportion of employees aged 55 and over reached 20% of the workforce at year-end 2008, compared with 10% at year-end 2003.

With the lengthening of working lives, BNP Paribas seeks to provide career prospects for employees aged 45 and over by facilitating further development of their skills and responsibilities. Under the branch agreement of 9 July 2008 on age discrimination and employment of seniors, the enterprise is committed to a gradually increasing average age of retirement, rising from 55 years to a target of 60 years by 31 December 2012. The enterprise is also committed to doing more to manage the latter part of employees' careers and to producing an annual report on employment of seniors.

The enterprise commits to the principle of equal access to professional training and individual right to training regardless of age. In 2007 the percentage of employees aged 45 and over who had taken a training course was 41.72%.

The seminar on managing diversity as a component of performance, deployed in 2008, sensitises managers to age diversity and reminds them that any form of age discrimination is to be banned.

### **Listening to employees**

In any financial services business, human capital is a core asset and managing change is a key challenge, because all facets of the operating environment – markets, business lines, growth and globalisation – are changing faster than employees' business culture and behaviour.

To respond to these accelerating changes and to employees' varied expectations, managers need to be good listeners, good explainers and good example-setters. The corporate training programmes offer managers the skills they need to meet these leadership challenges so that employees are not left feeling disconnected, under accumulating stress or discouraged by unmet expectations.

It is by presenting clearly identified operational challenges that these issues can be addressed.

#### ■ Protecting employee health

The Group's occupational health policy goes beyond simply complying with changes in legislation. The major components of the policy are risk mitigation and support for vulnerable employees or those who have become unfit for work.



### Dealing with stress, anxiety and depression

**Stress is the second most prevalent occupational pathology after musculoskeletal disorders. A special body to monitor it, OMSAD (Observatoire Médical du Stress, de l'Anxiété et de la Dépression), has been set up in collaboration with IFAS, the French institute for action on stress, in Paris and Lyons. At the beginning of each periodic medical visit, each employee can fill out a confidential, anonymous questionnaire that is immediately analysed and commented upon by an occupational medicine specialist for purposes of a personal diagnosis. The data are then compiled and processed by IFAS, an independent firm, which returns the results to BNP Paribas. The data are used to measure stress levels, pinpoint populations at risk and take appropriate preventive measures.**

### Prevention of occupational hazards

Prevention begins with identification of the occupational hazards: violence at bank branches, musculoskeletal disorders, air conditioning and ventilation malfunctions. A cross-disciplinary team set up in 2006 pools the skills and knowledge of its members to prevent these risks and deal with pathologies arising from multiple factors. This approach to working conditions offers greater opportunity for prevention and fosters joint action.

In 2008, special attention was given to the quality and comfort of the office environment, in particular ventilation, air conditioning and lighting. For customer relations staff, the acoustic environment was improved by changing headsets and installing sound-deadening materials.

Medical assistance to employees that have been victims of attacks, in particular in the Paris region, is provided in conjunction with the city's emergency medical services. This initiative has been progressively improved in recent years, and its effects can be seen in the decrease in both the number and length of post-attack absences and the reduction in requests for transfer to another position subsequent to an attack. In 2008, 137 employees received medical assistance after an attack, and 5 of them were referred to specialists for psychological help.

Mitigation of other occupational hazards is addressed with appropriate measures such as information campaigns, training, design ergonomics, remedial ergonomics and alert procedures. In 2008, 9 plan studies, 119 premises visits and 14 studies were conducted on the ergonomics of work stations. The high degree of vigilance exercised jointly by the occupational health department, team managers, facilities management departments, the ergonomics unit and works committees has contributed to the very low rate of musculoskeletal problems reported in BNP Paribas SA.

More than 2,550 influenza vaccinations were administered. Informational and preventive public health campaigns were organised on healthful eating, organ donation and addiction prevention.

### Public health issues

BNP Paribas SA's occupational health department has been working for many years to promote employee health. During the annual medical checkup, the physician provides personalised care in all areas of public health. Awareness campaigns, brochures and specific programmes are designed to address the major risks, including cardiovascular disease, cancer, obesity and tobacco.

Several other public health initiatives were launched in 2008. At French Retail Banking, for example, a training module for learning how to manage rudeness in business encounters has been deployed. Role-playing games and sharing of experiences serve to identify mechanisms that lead to aggressiveness and teach techniques of handling tense situations and controlling emotions.

The cardiovascular disease prevention programme, PCV Métra, continues to screen for risk factors such as high cholesterol, hypertension, tobacco addiction and stress. Medical evaluations at Broussais Hospital of employees found to be at risk and screening for coronary impairments with a view to early treatment have resulted in 248 blood tests and 10 hospitalisations.

Each occupational health office is now equipped with a tonometer to screen for glaucoma.

635 people took part in the programme to help employees and their family members in the Paris region quit smoking through the Allen Carr method; 47% of those who responded to the satisfaction survey quit smoking in 2008. In other parts of France, 73 people participated in sessions held in Arras, Dijon, Orleans, Chartres and Marseilles.

Taking advantage of the impact of the 10th national skin cancer prevention and screening day, organised on 15 May 2008 by France's national association of dermatologists, BNP Paribas provided screening for employees. 603 employees took part in 29 screening sessions. 60 of them were referred to a dermatologist for a biopsy, and 187 were recommended for annual checkups.



Surveillance of emerging health risks is conducted with Institut de Veille Sanitaire (WHO) to keep staff informed and provide recommendations.

A working group of human resources operating managers from all divisions and functional departments makes enterprise-wide preparations for dealing with a pandemic. Sanitary and organisational plans for such an event provide for purchases of masks, listing recommended hygiene products, communicating on measures such as washing hands, and posting notices in washrooms.

#### Supporting fragilities and incapacities

As with prevention, redeployment of employees following several months of absence due to illness entails concerted efforts by the occupational health department, HR managers and functional management. Given the rapid pace of change within the Group, the reintegration process must factor in an adjustment to the new circumstances, so as to dispel employees' worries and allow them the time to get on their feet again.

In some cases, employees can meet with the occupational physician before resuming work, either because they request it or because their personal physician or the reviewing physician recommends it. In such instances the company doctor prepares the employee for his or her return, taking into consideration any after-effects or residual handicap he or she may be suffering.

Outside France, the entities are endeavouring to optimise occupational risk prevention and access to care for employees in conjunction with local health authorities. In Ukraine, employees of UkrSibbank who were exposed to radiation following the Chernobyl disaster qualify for benefit payments and additional leave, and their health is closely monitored as part of an initiative run by the Ukrainian authorities.

BNP Paribas is an active member of *Sida Entreprises*, a business-funded association focused on AIDS. The aim of this association of leading French investors in Africa is to help resolve ongoing issues of prevention and lack of access to treatments, problems that are still prevalent despite the financial aid provided to affected countries. BNP Paribas helps to set up inter-company platforms in most of the countries in West Africa where it is present, through its network of associated banks (BICI). BICI of Madagascar participated in the annual *Sida Entreprises* seminar held in 2008 in Antananarivo. This seminar brought together coordinators of company programmes to combat HIV AIDS.

In Senegal, Banque Internationale pour le Commerce et l'Industrie (BICIS) helped to organise the 15th international conference on AIDS and sexually transmitted diseases in Africa, which was held in Dakar in December 2008.

#### ■ Maintaining a qualitative social dialogue

In 2008, the Commission on Employment Law, BNP Paribas SA's labour information and negotiation body, met on 37 occasions and negotiated the signature of nine company-wide agreements. Some of these agreements improve or continue employee benefit plans, while others strengthen employee representation on various bodies.

A wage agreement for 2009 signed by 4 of the 5 labour unions provides for an across-the-board pay increase, a rise in the flat-rate annual bonus paid to managerial employees, and consolidation of a portion of employees' variable pay into base pay.



An agreement on employment and inclusion of persons with disabilities was signed. This agreement is part of BNP Paribas' global non-discrimination and diversity initiative, and it follows up on commitments made when the Diversity Charter was signed in 2004. The agreement expresses all parties' desire to see BNP Paribas implement a proactive long-term policy in favour of employment and inclusion of persons with disabilities. It calls for actions in four areas: develop a plan for hiring in an ordinary business setting; improve conditions for bringing persons with disabilities into jobs by offering appropriate working conditions, access to professional training and technological accommodations; seek out stronger partnerships with the protected workers sector; and pay ongoing attention to the various aspects of keeping such persons in work.

An agreement was also signed in the area of flexible insurance benefits, improving the previous agreement signed in 2000. Death benefits will be increased, employees on part-time for therapeutic reasons stemming from pre-existing conditions at the time they signed up for the flexible benefit contract will be covered in full, and administrative costs will be revised downwards.

The time savings account system, in particular the terms and procedures for "deposits" and "withdrawals", has been improved to reflect the reduction in working time (RTT). Employees now have the option of monetising the RTT rights they have saved.

The Group's two occupational health departments were merged in 2008. Having a single department will enable the Group to develop a groupwide occupational health policy for the benefit of all employees.

Continuing the agreement of 10 July 1996 that created the European Works Council, an amendment was signed in 2008. The amendment recognises the Group's expansion in Europe, in particular the integration of BNL, and facilitates the exercise of responsibilities by the Council and its members.

#### ■ Deploying a global change management scheme

##### [Global People Survey, a survey for moving forward](#)

In 2008 the Group's executive management chose to deploy an annual Global People Survey in 10 languages on a sample of 25,000 employees in 78 countries. The purpose is not to conduct an opinion poll but to identify the drivers of employee commitment and to derive indications to guide actions and concrete projects at Group level, division level, by function, by business and by territory. Response rates to the survey have been very high, and employees are frequently adding comments and suggestions in their responses – further proof of their interest and their attachment to the company.

Pride in belonging to BNP Paribas, confidence in its leaders, a high level of commitment and adherence to its values and strategy are widely shared across the Group. The corporate culture is seen to be centred on customer service and capacity to innovate. But it is also characterised by a degree of compartmentalisation felt by employees, who regret a still-insufficient appreciation of diversity and a lack of horizontal dimension, both in the business and in their careers.

Besides this finding, the Global People Survey highlights the drivers of employees' commitment and the factors that affect their motivation, their lasting attachment to the Group and their desire to be part of its development. All but systematically throughout the Group, confidence in the employee's manager comes at the head of the list: leadership, listening, recognition of performance; along with social and environmental responsibility, ethics and respect for diversity. These results set out the challenges for the management and human resources of BNP Paribas.

### Internal communication: 2008, a year under the sign of change

The Group's internal communication effort was able to adapt to the highly unusual circumstances of 2008. Several messages and leaflets were sent round to explain the corporate strategy and reassure employees during a period of turmoil.

A new intranet, *Echo'Net*, was introduced, with enhanced customisation of information according to the user's profile and with far more modern and interactive functionalities and content. This intranet is already available to the majority of employees, and expansion will continue in 2009.

*Ambition*, the Group's in-house magazine, changed its look in 2007. It now boasts a new, more attractive layout, new features, and is available in Russian. The new package was designed to better meet employees' needs by helping them to follow news of BNP Paribas and giving them a better understanding of its strategy.

*Starlight*, the in-house video journal, is devoted to BNP Paribas innovations. Each issue runs six minutes and is posted online monthly on the Group's intranet sites, in French, English and Italian. A survey was conducted in 2008 on how this journal is perceived by employees. 88% of respondents felt that *Starlight* offered a value-added news channel inside the Group. Several special issues were put out in 2008 to comment on how the Group was doing in terms of results during the crisis.

More than 8,000 employees are now signed up for *Flash Groupe*, the Group's weekly e-bulletin that comes in three languages and covers the highlights of the past seven days. This electronic news format has been a big success in territories outside France, inspiring some to start their own internal e-bulletins. More than fifteen territorial versions have been launched, in Portugal, Switzerland, Luxembourg, Tunisia, the Netherlands, Spain and other areas.

### The spirit of innovation

#### **A core issue**

The growing impact of information technology, which accounts for 15% to 20% of banking groups' operating expenses, coupled with the high level of expertise in financial services and the importance that banking clients accord to new services, means that banking is one of the most innovative sectors of the economy.

Intense competition in a sector where patent protection is not available means the bar for what constitutes standard banking services is constantly being raised. As a result, ongoing innovation is required to create value-added products (product innovation) and to ensure cost-effective production of those that have become standard (process innovation).

Financial innovation is thus encouraged, and its benefits are passed on to customers, whether those benefits relate to risk hedging, investment yields, simpler access to transactions or lower unit transaction costs.

#### **The Innovation and Innov@ction Awards**

The annual Innovation Awards, introduced at the BNP Paribas Day events in 2006, recognise innovation in all its forms: business innovation, which results from initiatives taken by employee or teams whose job it is to innovate in their fields of activity; and Innov@ction, which comes from suggestions made by employees, individually or as a team and irrespective of their job duties, for improving products, services or processes and enhancing customer satisfaction. Since 2007, nine prize categories have been established, including one for Sustainable Development. Two prizes are awarded in each category, the prize for business innovation and the prize for Innov@ction. The first of the Innovation Day events organised in June 2008 was devoted entirely to corporate social responsibility as an important vector of innovation in BNP Paribas culture.

# Relations with clients and suppliers





Arval, more than just a car leasing company, a fleet management consultant

Managing a fleet of corporate cars entails a wide range of services, such as financing, daily maintenance, insurance, and tax advice. Moreover, clients are becoming more and more concerned about the social costs of accidents and the environmental costs of their fleets. Therefore, in addition to its car leasing services, Arval provides consulting services to help clients develop an effective fleet management approach. It works with clients to structure fleet management procedures into a policy that takes into account human resources, regulations, and efficiency criteria. Arval stands apart from ordinary car leasing companies through its sustainable solutions, making it a valuable partner for today's corporations.

In 2008 Arval introduced a new service to help clients manage their CO<sub>2</sub> emissions and steadily reduce their carbon footprints. This service uses a three-step approach: (i) measure the level of vehicles' CO<sub>2</sub> emissions; (ii) assess the progress made on sustainability by reducing the fleet's overall environmental impact (e.g., by using appropriate materials and equipment, training people on environmentally-friendly driving practices, and using effective fleet management methods); and (iii) propose options for offsetting CO<sub>2</sub> emissions using formulas derived from a model developed by BNP Paribas' Carbon Team. In early 2008 Arval also made a commitment to begin offering courses on safe and responsible driving to clients in all countries in which it operates.

## Closely-attuned relationships

### Listening to clients and meeting their needs

#### ■ Anticipating client expectations

BNP Paribas' consumer surveys unit brings together a network of Group entities specialised in market surveys, some of them authorities in their fields. These include the Cetelem Observer for consumer spending and the Corporate Vehicle Observatory set up by Arval Service Lease. The synergies offered by this network lead to a better understanding of different consumer profiles and retail channels, as well as customer satisfaction. They also favour the design of advanced indicators of changes in consumer behaviour and purchasing patterns, enhancing the Group's ability to innovate and renew its range of products, services, and distribution methods.

Demographic and social changes, new information technologies, and an increasingly nomadic lifestyle have given rise to increasingly diverse requests from various customer segments. BNP Paribas is expected to provide greater convenience and responsiveness, and to offer a wide range of choice based on each client's particular circumstances.

#### ■ Tailor-made services

BNP Paribas, a multi-channel bank, meets its clients' needs through a real-time integration of its various distribution channels: appointments with advisors at its branches, phone calls with the Client Relations Centre, and online correspondence via bnpparibas.net. This approach has made the Group's marketing efforts much more effective thanks to a single database that centralises and updates information from the various sources and allows information to be shared across sales channels. More than 32 million contact opportunities were generated in 2008, resulting in

15 million client interviews, a 25% rise year-on-year. The online channel made great advances, with the number of clients using bnpparibas.net services each month surging past the 1.7 million mark for the first time in 2007.

BNP Paribas has developed specific migrant banking services for migrant clients. In Marseille, BNP Paribas makes special efforts to serve clients from the Maghreb region and its branches have Arab-speaking advisors. In California, following the highly-successful Pacific Rim service for Asian clients, Bank of the West has introduced products designed specifically for Hispanic clients – a high-potential market. Migrant banking services are also being introduced in Turkey, Morocco, and Tunisia.

#### ■ Measuring client satisfaction

In 2002 the French Retail Banking business began developing and implementing systems to measure the satisfaction of its six million clients in all segments: individuals, entrepreneurs, small businesses, corporations, associations, employees, and private banking customers. Barometers were developed to measure satisfaction with specific services such as the Customer Call Centre, the online customer support centre, and account statements. It also measured satisfaction at a key point in the bank/client relationship.

The implementation at more and more bank branches of the new Accueil & Services branch concept has contributed to the continual improvement of satisfaction with client reception and ATMs.

For individual and small business clients, French Retail Banking has implemented a system that each year measures clients' satisfaction with the reception and service that they have received. Each operating entity tracks service quality indicators, which serve as tools for improvement at



a local level. For instance, local managers can use the indicators to adjust how they coach their sales force and develop targeted action plans. 65,000 individual and small business clients were surveyed for this barometer in 2008 on their satisfaction and the quality of branches' client relations. They were asked questions about client reception, advisors, ATMs, products and services (prices, online banking, transactions, etc.), and their intention to use or recommend BNP Paribas to friends and family.

Private banking clients were asked about products, services, online banking, prices, and their intention to use or recommend BNP Paribas Private Banking to their peers. Over two-thirds of the clients surveyed had already recommended BNP Paribas Private Banking.

Corporate clients reported an increase in satisfaction with Business Centres in 2008.

The Group also uses a Mystery Visit indicator to measure branch service quality. 3,000 Mystery Visits were carried out in 2008; each branch was visited between one and three times during the year.

#### Client satisfaction measurement tools used in 2008

Tool	Comment
BNP Paribas Private Banking	2 200 interviews were carried out with a representative sample of private banking clients. These interviews showed a decline in client satisfaction for the first time, although this decline is linked to the recent plunge in equity markets.
Client Relations Centre	100 interviews were carried out every month with a representative sample of call centre users. Performance indicators were issued monthly and a summary report was issued every six months.
Entrepreneurs and small businesses	2 400 interviews were carried out with a representative sample of entrepreneur and small business clients. Satisfaction among these clients improved sharply in 2008.
Corporates and associations	2 580 interviews were carried out with a representative sample of corporate clients and associations using Business Centres. Satisfaction among these clients increased for the third year in a row.
Employee clients	1 500 interviews were carried out with a representative sample of employee clients (700 from the Paris Laffitte branch and 800 from other branches). These results have been improving steadily over the past four years.
Clients who have filed complaints	200 interviews were carried out with a representative sample of clients whose complaint was handled in the previous month. Performance indicators were communicated quarterly at national level and monthly at regional level.

The Group has other systems in place to track the satisfaction of professional, corporate, association, and private banking clients through regular surveys. Each Business Centre has a satisfaction index for corporate clients, which takes into account the characteristics of local markets.

■ **Corporate and Investment Banking, a client-focused business model sur les clients**

BNP Paribas Corporate and Investment Banking (CIB) puts its relationships with its 16,000 clients at the heart of its strategy, which aims to build long-term relationships, provide ongoing assistance, and meet their numerous needs. To achieve this, BNP Paribas offers a single interface for its entire product range and provides coordinated access to product specialists in all of the Group's business units. It also structures comprehensive, innovative solutions adapted to specific client needs.

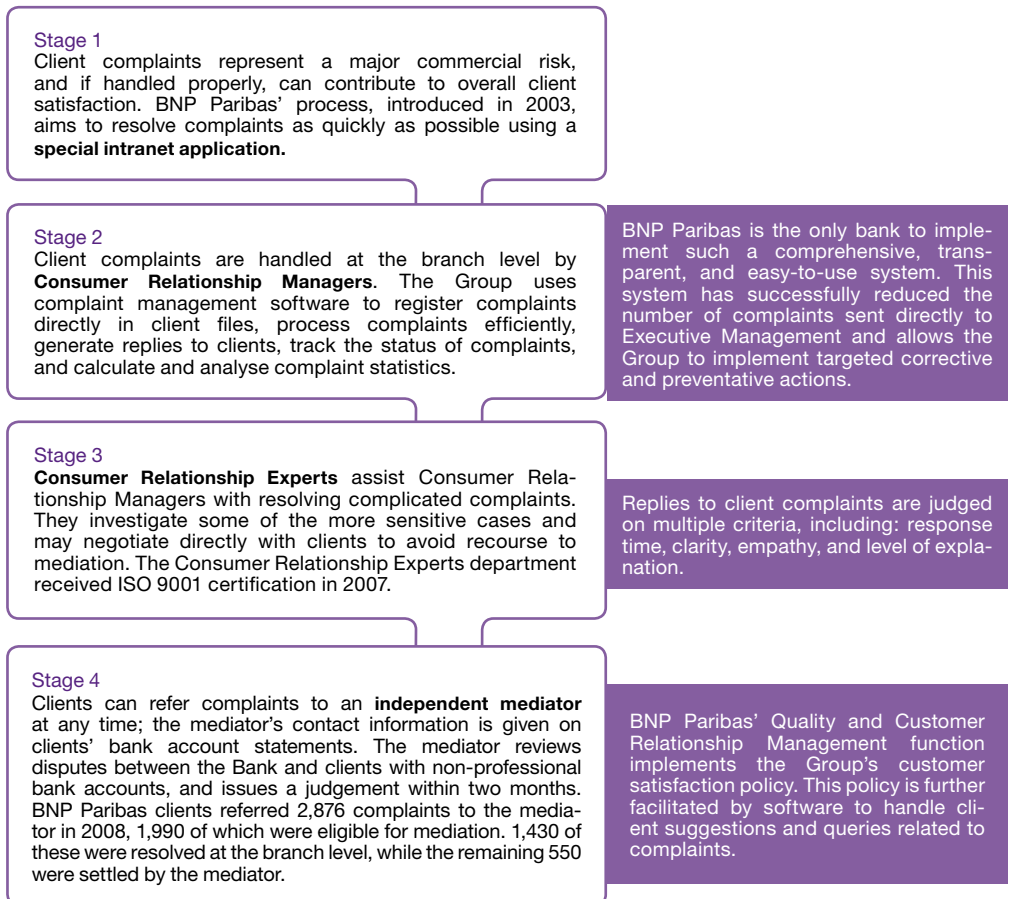
Employees responsible for maintaining client relationships are now equipped with shared software, particularly for Customer Relationship Management (CRM) applications. This software gives

them a comprehensive, real-time overview of the commercial relationship between BNP Paribas and a client group (parent company and subsidiaries). The Group's platform for recording client contacts, visits, and transactions underway makes it easier for CRM managers to share information and anticipate and meet client needs.

Throughout the 2008 financial crisis, BNP Paribas CIB staff remained attentive to client needs in order to develop specific solutions and protect their interests. This helped drive client profitability, proving that CIB's client-focused business model is solid – even during a crisis.

■ **Dialogue with consumers**

BNP Paribas' process for responding to client complaints consists of the following four stages.



When BNP Paribas' mediation system was set up in 2002, the mediator's involvement was limited to the areas allowed for under French law (i.e., deposit account agreements, free offers and incentives, and bundled sales). However BNP Paribas has gradually extended the mediator's scope so that it now includes all products and services sold to retail clients.

### **The quality approach**

#### **■ Building client loyalty**

Numerous studies have revealed a strong correlation between clients' perception of service quality and their loyalty, which is a major component of profitability in retail banking. Enhancing the quality of client relationships is therefore part of the Group's strategy and provides a framework for its sales initiatives.

#### **■ Integration with management**

In 2004, BNP Paribas added two new criteria to employees' annual appraisals to measure their contribution to improving client satisfaction: retail client satisfaction (measured at local level) and client loyalty. Quality assurance is an integral part of managing sales performance, and indicators show that clients are particularly satisfied with their advisors and the services that they receive.

In order to further improve quality, the Group has streamlined processes with a view to increasing reliability and shortening processing times. This change involved installing workflow software allowing for the contribution of multiple players, and centralising skills into centres of expertise that can handle client requests.

BNP Paribas' quality policy focuses on three key areas: continually improving client satisfaction; using quality as a driver of business development; and increasing staff involvement to reach these goals. The Objective Quality page on the Group's website, <http://www.quality.bnpparibas.com/>, describes its initiatives to satisfy clients and meet their changing quality demands.

#### **■ An extensive search for certification**

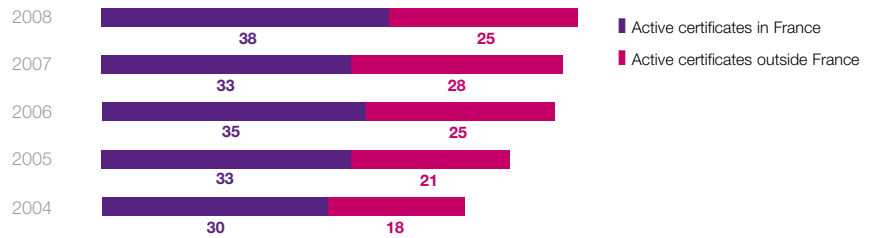
BNP Paribas' constant drive for client satisfaction is based on its sales efforts and process management approach. This has meant going through a process of obtaining the most relevant certifications in this area.

In December 2008, the French Retail Banking business was awarded ISO 14001 environmental certification for its new Accueil & Services branch concept; 1,115 branches have been transformed to this concept so far. BNP Paribas is the first bank in France to receive certification for a branch concept. This ISO 14001 certification marks a significant step towards the Retail Banking business' goal to control the environmental impact from its consumption of energy, water, and paper, its waste management, and the effects of its construction work. Launched in 2004, the Accueil & Services modernisation programme will continue until 2014 when all 2,200 French branches are scheduled to have been switched to the new concept.

With 63 active ISO 9001 certifications at the end of 2008, BNP Paribas remains a highly active player in the certification process. ISO 9001 is a quality management system focused on client satisfaction. It consists of a set of international standards developed by an independent organisation, which assesses the management processes that should be implemented within companies to improve client satisfaction, meet client needs, and ensure compliance with the regulatory requirements for performance improvement. Compliance with international standards is a mark of a product's or service's quality, safety, and reliability.



Number of active ISO 9001 certificates



BNP Paribas received seven new certifications and 17 certification renewals in 2008. The newly ISO 9001 certified operations in France are the Protection 24 video surveillance service, the Cortal Consors online savings account and brokerage service, as well as the services provided by the international Retail Banking division and the Group's Information, Technology and Processes function. Newly certified operations outside France include the Production Services service at BNP Paribas New York.

**Protecting the most vulnerable clients**

**■ Cetelem says *Yes to sound loans, No to over-indebtedness***

Using advanced client rating techniques, Cetelem has continued to meet its growth targets and strengthen its ability to say no. The company refuses 30% of the applications it receives, thereby protecting people who would not be able to pay back their loan. This selectiveness maintains the quality of the company's risks, reflected in the fact that 98% of its loans are repaid in full. In 2005, Cetelem set up a special centre to help indebted individuals in precarious situations.

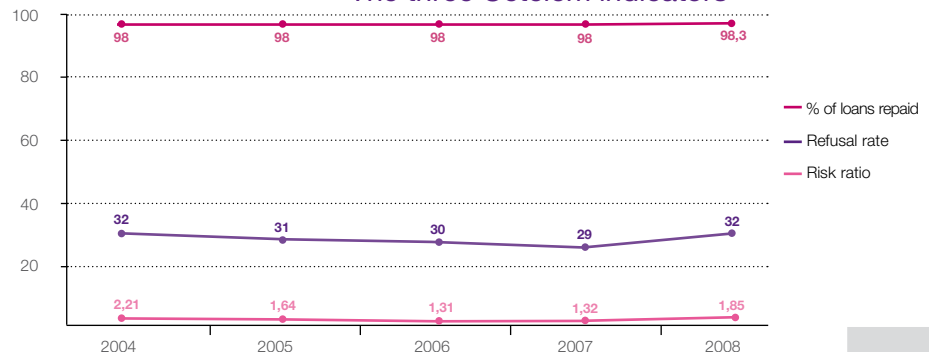
Cetelem has published a booklet explaining its actions to promote responsible lending, which is defined as "lending that

meets four fundamental commitments at each stage of the client relationship, from the loan request through to disbursement, repayment, and final settlement." The aim is to prevent over-indebtedness, promote access to loans for the greatest possible number of people, provide all clients with flexible support, and take care of clients in the event of difficulties.

In order to report the results of these commitments concretely, Cetelem has added three new indicators to its Annual Report: the loan refusal rate; the percentage of payment defaults; and the risk ratio, which is calculated by dividing provisions recorded for bad debts by total outstanding loans. This ratio has declined significantly over the last few years and now stands at less than 2% – very low compared to the ratios seen in the sector in the US and UK.

In an effort to enhance dialogue with consumers, in June 2008 Cetelem launched the first non-commercial website devoted entirely to providing information on consumer credit ([moncreditresponsable.com](http://moncreditresponsable.com)) and to explain its responsible borrowing policy. The website is intended for any individual – regardless of whether he or she is a Cetelem customer – with questions about the risks and opportunities of various loans.

The three Cetelem indicators



#### ■ BNP Paribas Assurance, equal access to insurance

BNP Paribas Assurance, the global leader in personal insurance, provides sick people with greater access to insurance through France's AERAS agreement (S'Assurer et Emprunter avec un Risque Aggravé de Santé, or Obtain Insurance Despite an Elevated Health Risk) signed by banking federations, insurance federations, associations representing consumers and sick people, the French Ministry of Economy and Finance, and the French Ministry of Healthcare and Solidarity. However BNP Paribas Assurance intends to go beyond the scope of the agreement and implement initiatives to encourage prevention. It has already taken initial steps towards this goal in the area of respiratory diseases, most notably asthma. Asthma is an extremely common illness; 3 million people in France, or 5.8% of the population, suffer from the disease. It is aggravated by air pollution, and over the past few years much progress has been made in the areas of treatment and prevention. At BNP Paribas Assurance, people with asthma wishing to apply for health insurance are asked to fill out a medical questionnaire that enables a detailed assessment of the actual claims that the applicant would submit. This information is used to develop a more equitable pricing policy for each applicant. For example, excess premiums may be reduced or eliminated depending on the severity of the disease, whether the applicant sees a doctor regularly, and how well the applicant manages his or her disease. In addition to offering pricing policies tailored to individual applicant's probable claims, BNP Paribas Assurance promotes prevention, the most effective weapon against respiratory diseases. In contributing to preventive care, BNP Paribas Assurance is doing its part as a responsible insurer. The company plans to introduce similar measures for other diseases.

#### ■ Sales facilities and services accessible to all

BNP Paribas goes beyond regulatory requirements and takes measures to facilitate access for disabled people to its branches and ATMs. 95% of its ATMs in France can be used by disabled persons, versus an industry average of 80%. The Group has developed a methodological guide in association with a specialised consulting firm, and gives the guide to all people involved in the construction of sales facilities and the installation of ATMs.

BNP Paribas' new Accueil & Services branch concept includes numerous features facilitating disabled access. 850 BNP Paribas branches have voice-controlled ATMs, making it the first French bank to offer such services to the visually impaired thanks to a partnership with one of the world's leading ATM suppliers. These new machines allow the visually impaired to withdraw cash via an audio assistance system that is activated by inserting headphones into a standard headphone jack.

The multi-channel bank provides all clients with access to information and banking services. Clients always have at least one remote channel - phone or internet - available for day-to-day transactions.

## Socially Responsible Investment (SRI)

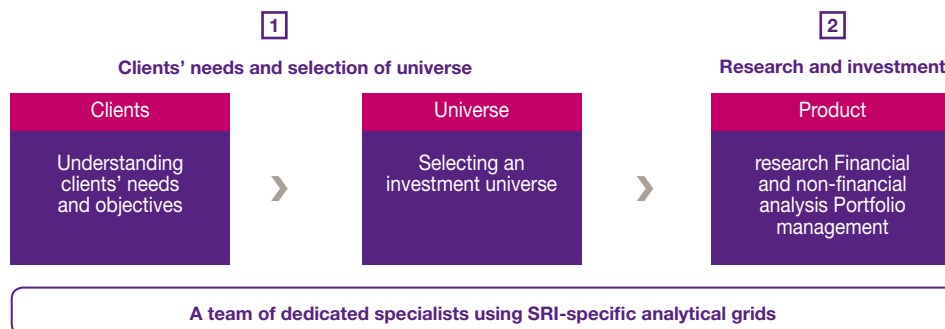
### Increasingly aware investors

Investors are more and more concerned about the social and environmental responsibility of companies, and want to be able to assess the potential impact of such issues on the performance of their investments. BNP Paribas Asset Management seeks to promote the long-term value of its investments, and has therefore developed recognised expertise in this area. It offers a complete range of products that systematically take into account sustainable development and corporate governance. The broadly encouraging results in 2008 prove that Socially Responsible Investment (SRI) is not only ethical, but also create value for investors.



## The Socially Responsible Investment process

The Socially Responsible Investment process is the same as that for regular investments, and consists of the following two steps.



### ■ Identifying clients' needs and selecting the investment universe

To meet clients' specific SRI needs, BNP Paribas Asset Management defines a risk profile and an approach based on specific sectors and expected returns. It also takes into account ethical criteria and companies' social commitment levels. It then selects an investment universe according to clients' needs and market opportunities, as for instance regions or available securities.

### ■ The characteristics of SRI research and investment: analyses based on extra-financial criteria

Portfolio management is based on comprehensive financial and extra-financial analyses, from a quantitative and qualitative perspective. For SRI investments, BNP Paribas Asset Management carries out in-depth research to identify potential sources of value creation or destruction by considering corporate governance and CSR issues. This non-financial analysis rounds out standard financial analyses by highlighting companies' sustainable development approach in terms of the commitments they make, the resources they allocate, and the results they obtain. Like the research for financial analyses, the research for non-financial analyses is conducted by a team of specialists. It

was designed with a view to value creation, and relies on grids of assessment criteria selected according to the specific challenges of each industry. As an example, compliance with fundamental labour rights by a company and its suppliers is a major issue in the textile and electronics sectors, while greenhouse gas emissions and risks related to climate change receive priority treatment in assessing the energy, power generation, transport, insurance, and building materials industries. A portfolio is then assembled using risk modelling and rankings by sector.

These analyses are regularly reviewed and systematically integrated into portfolio management processes. Such extra-financial analyses are supplemented by direct contact with companies, ratings from ratings agencies, and brokers' reports.

In addition to this system, a monitoring process is used to detect any possible critical situations that could lead to valuations being revised.

### Exercising voting rights

At BNP Paribas Asset Management, the exercise of voting rights is an integral part of the management process and a component of the ongoing dialogue with companies in which investments are made on clients' behalf.

The voting policy incorporates the governance principles set out in key international codes and standards. All mutual funds in France and elsewhere exercise their voting rights at AGMs. This includes a scope of approximately 300 companies invested in by 200 mutual funds. The voting process is based on review of draft resolutions and votes are cast through electronic voting platforms that allow secure processing. Documents concerning the exercise of voting rights at AGMs are available on BNP Paribas Asset Management's website, [www.am.bnpparibas.com](http://www.am.bnpparibas.com).

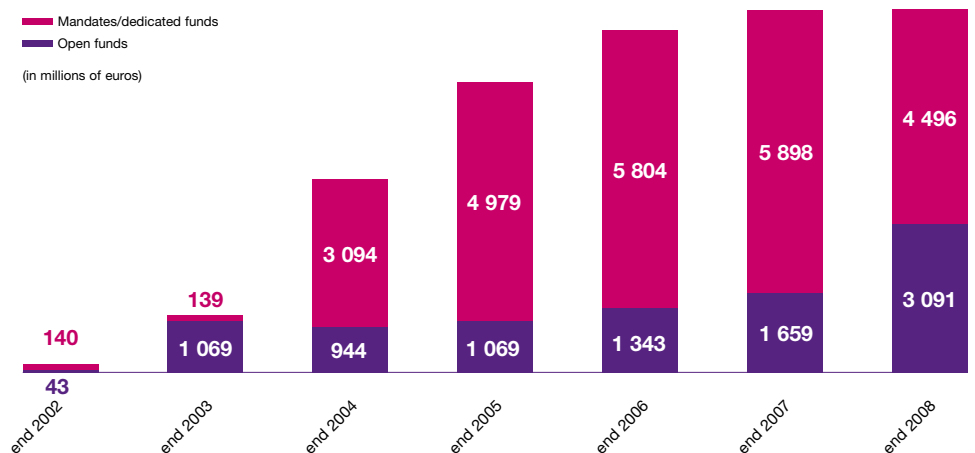
### Research and assets management teams

BNP Paribas Investment Partners has 25 fund managers and analysts with extensive skills in SRI. These fund managers work for three partners: BNP Paribas Asset Management, for fundamental and index-based funds; FundQuest for funds of funds; and Impax Asset Management for environmentally-themed funds. Fund managers systematically take into account the results of financial and non-financial analyses when building SRI portfolios.

### A leading position in the French market

Recent studies place BNP Paribas Investment Partners among one of the industry leaders in France and in Europe in terms of assets under management, and one of the market leaders with regards to quality. It had over EUR 7.5 billion of assets under management in mutual funds and SRI funds at 31 December 2008. These funds are geared towards institutional and retail clients.

### SRI assets under management



### A wider range of SRI products

In order to expand its range of SRI products, BNP Paribas Investment Partners has tapped into an increasing number of partners such as BNP Paribas Asset Management, Impax, EasyETF, and FundQuest. In 2008 BNP Paribas Investment Partners increased its stake in Impax Group plc, a London-listed asset management firm specialised in environmental funds, to 29.4% of the firm's common shares. This move reinforces their partnership in the management and distribution of ethical funds.

### [BNP Paribas Investment Partners creates a new carbon index](#)

On 24 October 2008, NYSE Euronext and EasyETF launched a new European index, Low Carbon 100 Europe®, comprised of European companies with a low carbon footprint, and the first exchange traded fund (ETF), EasyETF Low Carbon, tied to this index and listed on Euronext Paris. The Low Carbon 100 Europe® index measures the performance of the 100 largest European companies with the lowest level of CO<sub>2</sub> emissions in their industry. These companies' CO<sub>2</sub> emissions are on average 42% lower than the 300 largest-cap companies in Europe. The exchange traded fund is managed by BNP Paribas Asset Management in association with AgriSud, GoodPlanet, and WWF, thereby enabling investors to invest in low-carbon footprint companies.

In 2008, BNP Paribas Investment Partners introduced the following funds:

- The BNP Paribas Acqua fund launched by BNP Paribas Assurance in December that invests in water-related companies;
- The Shinhan Bonjour Clean World Fund, in association with Impax Asset Management, that invests in the Asia-Pacific region;
- BNP Paribas Mone Etheis, a money-market fund;
- An SRI fund of funds managed by FundQuest includes Parworld Global Sustainable Development 80, an environmental capital-protected fund of funds, for BNL Vita.

### **A continuing commitment to SRI**

#### ■ Principles for Responsible Investment

BNP Paribas Investment Partners follows the Principles for Responsible Investment (PRI) under the aegis of the United Nations Environment Programme Finance Initiative (UNEP FI) and the Global Compact. The PRI provide a framework that goes beyond Socially Responsible Investment. They concern all financial assets and recognise the importance of environmental, social, and governance (ESG) issues for this sector as regards responsibility and portfolio returns. PRI encompass the following six principles in addition to thirty possible actions:

- Incorporating ESG issues into investment analysis and decision-making processes;
- Incorporating ESG issues into stakeholders' policies and practices;
- Seeking appropriate disclosure on ESG issues by entities in which investments are made;
- Promoting acceptance and implementation of these principles within the investment industry;
- Working together to enhance effectiveness in implementing the principles;

- Reporting on activities and progress towards implementing the principles.

#### ■ Driving SRI initiatives

In 2008 BNP Paribas Investment Partners confirmed its role as a main driver of SRI through its participation in several working groups.

BNP Paribas Investment Partners exercises the vice-presidency of the Institutional Investor Group on Climate Change (IIGCC) for over a year. The IIGCC comprises 39 European institutional investors representing over EUR 3.500 trillion. In April 2008 it held a seminar on climate change and its implications for institutional investors. The IIGCC has also issued two reports, one on the electricity industry and one on the automobile industry, undertaken by BNP Paribas Investment Partners with several North American and Australian pension funds.

In early 2008, BNP Paribas Investment Partners and other asset management firms including Axa Investment Managers, Dexia Asset Management, and Crédit Agricole Asset Management formed a working group in response to the concerns raised by Amnesty International in 2007 about the financing of companies involved in manufacturing cluster bombs and anti-personnel mines. This working group aims to develop a better understanding of the technical and regulatory frameworks set forth in the Oslo and Dublin conventions. The working group, assisted by an expert consultant, has precisely identified companies involved in manufacturing these weapons and has helped rapidly and systematically implement the commitments that BNP Paribas made publically this year.

In an effort to support extra-financial and academic research, BNP Paribas Asset Management became a founding member of the Enhanced Analytics Initiative (EAI), an international collaboration of asset owners and asset managers designed to encourage research on non-financial investment criteria. Its members, like

BNP Paribas Asset Management, have committed to allocating 5% of their annual broker commissions to develop extra-financial analyses, particularly on corporate governance, climate change, and human resources issues. In 2008 BNP Paribas Investment Partners played a key role in aligning the EAI with the United Nations Principles for Responsible Investment (PRI), which now includes over 150 pension funds worldwide.

BNP Paribas Investment Partners also sponsors the sustainable finance and responsible investment chair in cooperation with France's Ecole Polytechnique and the Toulouse Institute of Industrial Economics.

In late 2008 BNP Paribas Investment Partners sponsored Novethic's<sup>(1)</sup> first annual conference specifically for pension funds and personal protection insurance providers. During the event, around 100 French and European institutions learned about the necessity of including environmental, social, and corporate governance factors in their investment policies.

### **Recognised commitments**

BNP Paribas was selected by Novethic for the quality of its environmental funds. In response to the growing number of environmental funds, Novethic issued a study calling for investors to be vigilant in ensuring that these funds' policies are indeed responsible. The study encouraged investors to consider the clean technologies that these funds invest in as well as to what extent the funds consider companies' SRI policies, by for example using a filter to weed out companies involved in corruption or market distortion mechanisms. The report identifies seven environmentally-responsible funds in France; topping the list is the Parworld Environmental Opportunities fund managed by Impax Asset Management.

### **BNP Paribas Assurance, a comprehensive SRI policy**

As a reflection of its commitment to SRI, BNP Paribas Assurance is the first institutional investor to adopt a comprehensive SRI approach covering EUR 55 billion of assets in its euro funds. This approach involves applying SRI criteria in its investment decisions. Nearly 1.3 million clients are able to take advantage of this policy through the euro fund component of their BNP Paribas Assurance life insurance contracts.

#### **■ SRI and life insurance**

In 2007, BNP Paribas Assurance became the first private investor to have its euro funds assessed by Vigeo, Europe's leading extra-financial ratings agency. In 2008 BNP Paribas Assurance carried out a client survey to evaluate the results of its SRI promotion efforts. 86% of the clients surveyed approved of the company's approach to increase the percentage of SRI holdings in its euro funds while maintaining the financial performance of the invested contracts. Some clients stated they are ready to invest a significant amount of their contracts in SRI instruments; 37% of those surveyed are ready to invest over 20% of their life insurance savings in SRI assets. Therefore BNP Paribas Assurance now considers SRI criteria when selecting investment securities for its euro funds as follows.

- For equity investments, BNP Paribas Assurance continues to select the best in class to favour companies with the highest ratings from extra-financial rating agencies, assuming equal returns and prospects, concerning the values in which BNP Paribas Assurance invests.
- For government bond investments, BNP Paribas Assurance fund managers will clarify their SRI approach by translating their investment decisions into concrete terms. They will favour countries that have ratified the main international treaties on human rights and workplace rights.

<sup>(1)</sup> A Caisse des Dépôts subsidiary and one of France's leading SRI firms

- BNP Paribas Assurance has introduced an SRI fund, IRD BNP Paribas Asset Management, with EUR 300 million of assets under management. It has also invested EUR 55 million in a selection of SRI funds of funds.

BNP Paribas Assurance will sell new contracts expressed according to three SRI accounting units to give clients the opportunity to extend their citizenship involvement. These three accounting units are based on the following fields: water, renewable energy, and professional insertion.

## Supplier relations

### Maintaining core competencies

Although the Group relies on outside suppliers for products and services that are not central to its businesses, it has chosen to retain control over its core competencies. Production processes remain highly integrated, thus limiting the use of outsourcing.

In the IT field, where outsourcing is common among financial institutions, BNP Paribas has adopted a unique approach by creating a joint venture with IBM France to meet the Group's IT processing requirements. This strategic alliance allows the Group to retain control over technology while reducing its IT costs, and to remain a leading-edge centre of excellence.

### Limited, carefully-managed offshoring

The Group has streamlined its system for specific IT development and programming activities by pooling some of its IT resources in Asia within BNP Paribas India Solutions in Mumbai. It also created a software development centre in Morocco, MEDIHA Informatique-BNP Paribas MED IT, which offers the social and economic advantages of a nearby location, a shared language, and a common time zone. The Group chose to keep these activities within its subsidiaries rather than to outsource them. The two entities are expected to employ several hundred people out of a group-wide total of around 10,000 IT specialists. This plan was imple-

mented while maintaining a net creation of IT jobs in France.

### Worldwide management of the purchasing function

The Group considers that suppliers' social and environmental responsibility is of great importance. This dimension is a decision tool for the purchasing function, helped by BNP Paribas Asset Management expertise to evaluate its main supplier's portfolio.

Contracts have systematically included social and environmental clauses since 2002. For social aspects, these clauses require compliance with International Labour Organisation (ILO) standards and with national employment legislation if this legislation is stricter than the ILO standards. The obligation to work with suppliers guaranteeing compliance with these principles has been remind to all Group entities in order to standardise the relationships with the suppliers in their delegation.

The Group's external growth means that new entities are constantly entering its scope of consolidation. Nonetheless, the high rate of input into the global database has been maintained. The overall percentage of purchases from approved suppliers, which has been increasing steadily for several years as contracts are renewed, does not adequately reflect the major progress made in this area in absolute terms, given the large increase in the scope of consolidation.

For the precedent contracts signed with suppliers, special instructions were given to BNP Paribas entities in 2008.

In April 2008, BNP Paribas created a Group Procurement Board comprised of around 20 representatives from the purchasing functions of business units and divisions. This Board has outlined a Group purchasing policy to meet BNP Paribas' goals and better structure the global purchasing function. Moreover, coordinated purchasing activities make it easier for suppliers to meet the Group's ethics standards. A supplier identification process has been introduced to insure effective management of supplier relationships. Finally, risk concerning the Group's



suppliers is monitored through a special database.

In 2008 BNP Paribas added a supplier section to the Group's website. This section lists suppliers in light of the Group's CSR policy and International Labour Organisation conventions. The Group mentions its equal treatment of suppliers, even when a supplier is also a client, its commitment to the confidentiality of supplier information, and its desire to prevent conflicts of interest.

BNP Paribas' IT system was updated in 2008 to support sustainable development through a new platform designed to facilitate the sharing of best practices on green technology, in France and abroad.

#### ■ Arval

Arval's suppliers, stakeholders in its sustainable development approach, have been rated based on environmental and social criteria. Since this assessment, a Sustainable Development Engagement Charter has been systematically included in suppliers' contracts. This Charter requires suppliers to implement sustainable development initiatives, adopt transparent environmental and social behaviours, and adhere to the ten principles of the United Nations Global Compact which Arval signed up to in 2004. The Charter was introduced in France in 2007 and extended to most other countries in 2008. In 2008 Arval defined minimum standards to ensure that suppliers are indeed able to follow the Global Compact principles.

#### ■ Klépierre

Klépierre offers joint training on environmental issues to its employees and suppliers. In 2008 Klépierre developed an external version of its e-learning software on corporate social and environmental responsibility to be used by Steen & Strøm's suppliers and subcontractors; Steen & Strøm is Scandinavia's leading shopping centre developer and was acquired by Klépierre in October 2008.

#### ■ BNP Paribas Real Estate

BNP Paribas carefully follows all environmental regulations for its construction and acquisitions operations. A real estate guide sums up the strictest regulations in each country where BNP Paribas operates so that these regulations can be applied at all sites worldwide. All of a company's central buildings are audited before the company is acquired. BNP Paribas Immobilier remains continuously abreast of new environmental laws and regulations, and includes CSR requirements for suppliers in all its property contracts.

# Impact on the natural environment



Since January 2004, BNP Paribas has been implementing a set of guidelines on environmental responsibility, in accordance with the United Nations Global

Compact. These guidelines contain ten focus points and form part of the general business principles followed by Group employees.



## Action areas

### Conserving energy and monitoring greenhouse gas emissions: the carbon footprint

Companies are helping to combat global warming by controlling their greenhouse gas emissions. In 2004, BNP Paribas, helped by a team of consultants, devised a method for estimating the carbon dioxide emissions from its operations. The calculations cover emissions generated by the production, transportation, and consumption of energy sources. For liquid fossil fuels, the methodology calculates emissions related not only to combustion but also to the extraction, shipping, and refinement of fuels from conventional crude oil. The initial energy used by electricity producers is also taken into account. Further information on measurement methods and the related margins of error are provided under item 7 of the environmental chapter of the NRE Act.

BNP Paribas has steadily expanded the scope of its data collection, which has revealed that emissions vary significantly by country. An analysis of the data shows that these differences are mainly due to the following structural factors:

- the presence of management from an international business line accounts for regular air travel by managers (for example the Fixed Income business line in London);

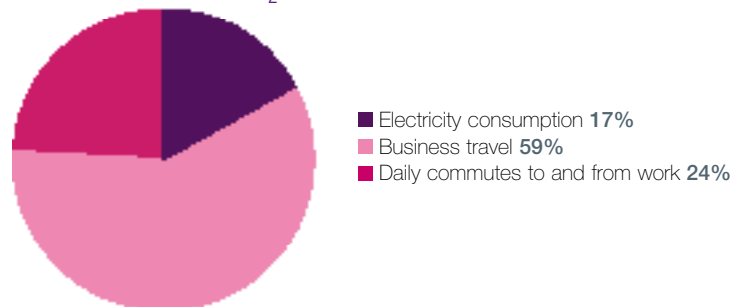
- the presence of a data processing unit that consolidates data processing for entities within one territory or for neighbouring countries;
- the conversion ratio for KWh consumed depends on the combination of energy sources used within a given country. For example, the conversion ratio used for the emissions rate in France is favourable because a significant amount of the energy used comes from nuclear sources.

A country's energy infrastructure also has a significant effect on emissions estimates; for instance, the weighting factor used to calculate CO<sub>2</sub> emissions from electricity use is about six times higher for the UK and the US than for France. Since the nature of businesses conducted also vary widely by country, it seems more relevant to monitor emissions on a country-by-country basis than to try to consolidate very different situations.

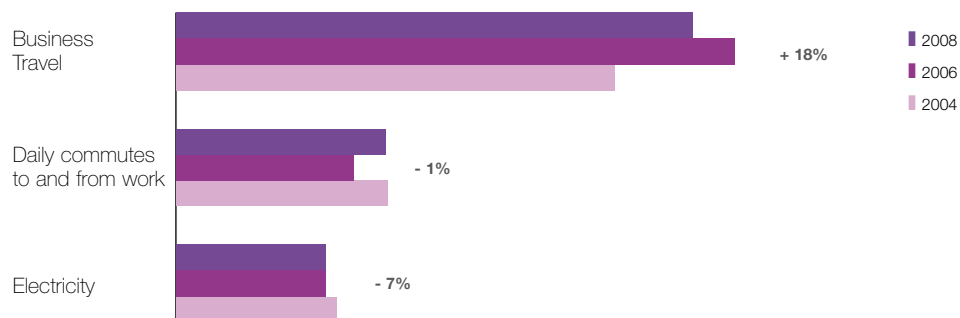
In France, CO<sub>2</sub> emissions in 2008 amounted to 2.59 tonnes of CO<sub>2</sub> equivalent per FTE.

Details about the carbon emissions of the Group's international operations are provided under item 7 of the environmental chapter of the NRE Act.

### Breakdown of CO<sub>2</sub> emissions in France in 2008



### Variation in emissions in France 2004-2008



**Business travel** is the main source of the Group's carbon emissions, and is undertaken for the purposes of client contact, business negotiations, and project studies. Business travel has been the focus of a stringent cost control policy. A maximum use of phone and video conferencing was made in 2008 as an alternative to travel.

BNP Paribas has a business travel policy in France. Under this policy, air travel is subject to approval procedures and train travel is highly encouraged for trips within France; train travel is mandatory for cities served by Eurostar and Thalys. The implementation of this policy has resulted in a 28% increase in train travel and an 11% drop in short-haul air travel.

BNP Paribas and BNP Paribas Assurance set up a carpooling website in 2008 for their 33,000 employees living in the Paris region. Over 1,000 employees registered on the website in the first few days after its launch, and the website received 10,000 visits during the same period. Carpooling is an efficient way for employees to get to work as well as cut their gasoline bills and reduce greenhouse gas emissions.

Daily commutes to and from work account for 24% of emissions in France. In provincial towns, BNP Paribas covers a part of the costs incurred by employees using public transport to get to work, going beyond its legal obligations in this respect. The contribution is higher for employees living in towns with more than 100,000 residents. Over 12,000 employees in France benefit from these measures. Cortal Consors employees in France and Germany receive a discount on their public transport tickets.

**The energy consumption of buildings** is also controlled. The Technology & Process function oversees facilities management, the purchasing function, and IT systems, and develops and implements a coordinated general environmental policy for the Group.

The Group's French operations used 306 GWh of electricity in 2008, or 173 kWh per meter squared, excluding renewable energy. A comparable calculation for the electricity used by BNP Paribas' international operations is not relevant due to the diverse conditions from country to country, especially between northern and southern countries.

### An eco-branch in Rome

**The Colli Portuensi branch in Rome has installed rooftop solar panels to supply its electricity. These panels will generate over 280,000 kWh of power over their 20-year lifetimes, supplying all of the branch's energy needs. Moreover, they will prevent 150 tonnes of CO<sub>2</sub> emissions and 0.43 tonnes of NO<sub>x</sub> emissions – the equivalent of 66 tonnes of oil. Right now it seems to be the only banking branch in Europe, if not the world, that produces all of its own energy. This innovative branch makes BNP Paribas' environmental commitment more visible and more tangible to its clients and other partners.**

The main improvements carried out by the Group in 2008 were related to the addition of energy-efficient technologies during building renovation and construction, and the replacement of equipment. In 2008 the Group introduced a centralised facilities management system for its buildings. Thus, in the building at 37 Place du Marché St. Honoré in Paris, the lighting in offices and hallways is programmed to be on for 16 hours every weekday. Similarly, the lighting in BNP Paribas Personal Investors' French and German offices is programmed to turn off automatically at 9pm every night.

In obtaining ISO 14001 certification for 1,115 of its retail banking branches in France, BNP Paribas set a goal of reducing these branches' energy use 15% by 2011. This will involve the following two steps:

- Upgrading equipment and controls to meet the technical recommendations for building work. This includes optimising the lighting, replacing electric air curtains with ones fuelled by a heat-pump, installing standardised air conditioning systems with a wattage based on geographical location, reviewing the life cycle of outdoor signage, and programming façade lighting to turn off at night.
- Improving branches' energy efficiency by using automated lighting, heating, and air conditioning systems that operate according to ambient and outdoor temperatures.

BNP Paribas maps the energy use of its office buildings in France (current condition, past energy use, building history, etc.) in order to prioritise its energy-saving efforts. Then an energy audit and an assessment of the buildings' energy performance are made before implementing the recommended steps.

BNP Paribas has offset the carbon emissions related to its Annual General Meeting in May 2008 as part of its fight against climate change. The methodology took into account the carbon emissions of the return trips for all attending shareholders and people who helped host the event,

and quantified the emissions related to the use of the meeting hall (the *Carrousel du Louvre* in Paris).

BNP Paribas Personal Finance has launched the Oxygène Programme to measure the CO<sub>2</sub> emissions at Cetelem's and UCB's sites in France. Personal Finance measured its greenhouse gas emissions in 2007, then implemented an action plan in 2008 designed to reduce the environmental impact of its car fleet, reduce air travel through the use of video conferencing, develop a business travel policy, map the energy use at its sites, and issue an environmental code of conduct for all the business' employees in France.

In 2008 BNP Paribas Assurance measured the carbon footprint of all its operations at its 41 sites worldwide using the French Bilan Carbone™ method. This carbon footprint covers emissions from the following ten items: daily commutes to and from work; business travel; energy use; tangible assets (property, equipment, computer hardware, etc.); supplies (paper, pens and pencils, food and beverages, etc.); fret; air conditioning; waste; purchased services; and visitor travel. Of these ten items, the greatest emitters proved to be energy use, business travel, daily commutes, and tangible assets. BNP Paribas Assurance aims to lower the greenhouse gas emissions from its operations in France and worldwide by 10% by 2010.

The Moroccan Bank for Commerce and Industry (BMCI), a BNP Paribas subsidiary, reduced the electricity use at its headquarters by 8% by installing remote control switches. BMCI plans to install remote control switches in its branches as well.

In 2008 the Group's Technology and Processes function introduced the Greening IT programme, a frontrunner for responsible computing in the banking sector. This programme has three goals: saving energy; reducing the amount of toxic compounds in computers; and recycling old equipment.



### [The Carbon Disclosure Project France selects BNP Paribas](#)

BNP Paribas is one of only three banks among the 20 French companies selected by the Carbon Disclosure Project (CDP) France for its Climate Disclosure Leadership Index. CDP, a British NGO founded in 2000, sends annual surveys to the world's 3,000 largest companies in order to assess their response to climate change and their ability to cut their greenhouse gas emissions. BNP Paribas has been part of this initiative since it was started in 2002. CDP ranks companies on the basis of their survey replies, and the top third are included in CDP France's Climate Disclosure Leadership Index.

### [BNP Paribas is one of EcoFolio's biggest investors](#)

EcoFolio, an environmental organisation established in 2006, applies the principle of extended producer responsibility in the area of informational and advertising brochures and leaflets. Its mission is economic, environmental, and social; by using financial contributions from producers of these media, EcoFolio provides funding to local government authorities to promote selective collection and recycling, and to inform citizens and raise awareness. Owing to the nature of its business, BNP Paribas produces only modest quantities of promotional paper media compared with the press and retail industries. Yet it is one of the first funding shareholders of EcoFolio, and the BNP Paribas Head of Sustainable Development serves on EcoFolio's Board of Directors. In 2008 the scope was extended to internal corporate communications.

Three years ago the London office introduced the NightWatchman programme, which enables IT staff to turn employee workstations on and off remotely at a set time of day. Workstations are turned on every morning just before employees get to work, and are turned off every evening. This programme is designed to save energy, lower costs, and make the office more environmentally-friendly – without being intrusive. The *NightWatchman* programme is currently being rolled out at offices in Singapore, Brussels, Milan, Tokyo, and other BNP Paribas subsidiaries.

### Supplier selection

The careful selection of suppliers is a central feature of BNP Paribas' environmental policy. All supplier contracts include clauses on social and environmental responsibility, which the Group's key suppliers accepted following an in-depth discussion of the issues involved.

#### ■ Paper suppliers

BNP Paribas has outlined a process for selecting paper and printer suppliers based on sustainable development criteria. The Group has signed agreements with paper producers that guarantee a responsible approach to forest management, including full replanting after harvesting. These criteria apply to the paper used by Group employees as well as outside companies that print publications for the Group.

#### ■ Renewable energy suppliers

BNP Paribas carried out an inventory of its electricity purchases in France, Italy, and the UK in order to assess the market and its options for switching to renewable energy. However, because of the heterogeneity of the offer and their currently high costs, the Group has for now decided against setting an overall target for its energy generated from renewable sources. It will instead focus on reducing energy use with an immediate impact on the environment. Nevertheless, some subsidiaries have already undertaken local initiatives to purchase green energy; for example, at Bank of the West in the United States, 20% of the energy used comes from renewable sources.

### Waste management

BNP Paribas is continuing to roll-out a waste management policy based on recycling paper, cardboard, and toner and ink cartridges, which are being recycled more and more frequently. This waste management policy applies to the Group's operations in France and abroad. For instance, 98% of the paper and cardboard collected at the Group's Paris region offices in 2008 was recycled. A company collects and sorts the office waste. Recycled paper is used for urban heating, cardboard boxes, and paper pulp.



#### The first HEQ-BREEAM dual certification

**Le Mermoz is a two-building, three-level office complex in Bourget, France. It has a unique, modern, and dynamic architectural design whose transparent façades have high-performing acoustic and thermal insulation for comfort and energy efficiency. The complex meets the latest sustainable building standards, making it the first to receive France's High Environmental Quality (HEQ) certification as well as the UK's Building Research Establishment Environmental Assessment Method (BREEAM) certification. «(...) the environmental targets assigned to the buildings have stringent specifications (...) because both the French and other worldwide certification systems have a strict requirement to divide the buildings' greenhouse gas emissions by four. (...) It helps create references, spread best practices and generate momentum. (...) The goal is to merge the systems (...) toward an environmental quality, (...)» explains Patrick Nossent, President of Certivéa.**

## Levers

### Prevention

#### ■ Preventing the impact of real estate operations

In order to mitigate the environmental impact of its operations, BNP Paribas Immobilier implements the French High Environmental Quality (HEQ) standard in association with the French Scientific and Technical Advisory Centre for the Building Industry (CSTB). In 2007 BNP Paribas Immobilier signed a partnership agreement with CSTB and Certivéa, a certification body for the building industry. BNP Paribas Immobilier makes sure that the buildings it constructs use energy-efficient technology, environmentally-friendly materials, and acoustic and thermal insulation and controls the cleanness of the worksites. "Green" construction techniques are used as much as possible, and the buildings are designed to enhance the local landscape. The primary goal is to minimise their impact on the natural environment and to their tenants' environment.

Five of the BNP Paribas Immobilier Promotion Immobilier d'Entreprise property projects in France that are in construction phase, and four that are in design phase, have been HEQ certified by Certivéa and have received the Afnor label. During France's first high-performance building trade show (Salon du Bâtiment Performant) in 2008, BNP Paribas Immobilier received the Constructeo Award for best performance in the renovation category.

BNP Paribas Immobilier Résidentiel Promotion won a bid to build homes, businesses, and a nursery in the mixed development zone along the Seine River in Issy-les-Moulineaux – the same place where BNP Paribas Immobilier is currently building its new headquarters. The mixed development zone is intended to revitalise the banks of the Seine, which had been used exclusively for manufacturing sites and has been lying fallow for the past several years. This new contract confirms BNP Paribas Immobilier Résidentiel

Promotion's ambitions under its comprehensive policy for environmental quality buildings, and marks its 20th *Habitat et Environnement* project in the process of being certified since 2004.

This is also the second BNP Paribas Immobilier Résidentiel Promotion project to receive France's low-energy use label (*Bâtiment Basse Consommation*). In addition to environmental concerns, BNP Paribas Immobilier places a strong emphasis on sustainable development in its construction projects. It has strengthened its ties with sustainable development organisations by:

- Publishing the first dictionary of sustainable development terms in France and the UK;
- Developing a UK website for Atisreal, [www.seeandthink.com](http://www.seeandthink.com);
- Assisting with the first edition of *IPD Environment Code: Measuring the Environmental Performance of Buildings*, published in the UK in February 2008.

The Beaulieu Ile de Nantes shopping centre renovated by Klépierre serves a model for large-scale renovations, especially in terms of social and environmental responsibility. The renovation project has been nominated for the 2009 ICSC Award in the renovation and extension category. The shopping centre first opened in 1975 with 60 stores and a hypermarket spread over 28,500 m<sup>2</sup> of commercial space. However it recently underwent 18 months of renovation work, which culminated in the unveiling of an almost entirely new centre in March 2008. Modern architectural designs were used to considerably reduce the centre's environmental impact. For example, the delivery dock was remade into an acoustic tunnel lined with climbing plants in order to reduce noise pollution for nearby residents. This wall of vegetation is not only insulating and aesthetically pleasing, but it also lowers greenhouse gas emissions thanks to the plants' natural ability to absorb CO<sub>2</sub>. The roof is made from around 100 glass cones so as to bring in natural light and limit the need for



Accueil et Services branches receive ISO 14001 certification

BNP Paribas has been awarded ISO 14001 environmental certification for its 1,115 French retail banking branches renovated according to the Accueil & Services model. The 1,115 branches represent more than the half of the branches constituting the French Retail Banking branches network. This new branch model incorporates environmentally-friendly measures regarding building materials, construction processes, and operating and maintenance procedures. As part of the certification process, the French Retail Banking business set up an environmental management system to better control its environmental performance. Some of the top priorities include reducing energy use, limiting paper consumption, mitigating the environmental impact of construction work, installing a waste management system, and increasing the awareness of employees, partners, and contractors on environmental issues.

artificial lighting. The portion of the roof extending over the parking silo has solar panels that generate enough energy to supply the annual needs of 80 households.

■ **Cleaner cars**

After safety, the environment is the fastest-growing concern of vehicle fleet managers. Therefore in 2007 Arval developed a comprehensive environmental strategy with a considerable focus on lowering the CO<sub>2</sub> emissions of car fleets owned by its companies and providing CO<sub>2</sub> emission management services to its clients.

The following steps were taken towards this goal in 2008:

- All Arval companies decided to measure their fleets' CO<sub>2</sub> emissions on an individual basis and use special tools for client fleets;
- A car purchasing policy was introduced with CO<sub>2</sub> emission specifications in grams per kilometre;
- All Arval companies began offering employees the Corporate Vehicle Observatory's training programme on safe and environmentally responsible driving;
- All Arval companies began offsetting their CO<sub>2</sub> emissions, with a preference for local offsetting mechanisms.

■ **Saving paper**

For a financial services group, paper is the main raw material consumed. 9,580 tonnes of paper were used by the Group in France in 2008. All BNP Paribas entities are implementing paper-saving initiatives based on their business operations. Paper-saving measures are a top priority in the French Retail Banking division and the IT function. Such measures include centralised electronic publishing, double-sided bank account statements, reduction of mailings for some bank account statements and listings, electronic accounting statements within the Group, the elimination of needless printouts, printing optimisation efforts, direct marketing activities carried out online and by telephone (as opposed to mailed brochures), and monitoring measures for the paper used at branches that has been purchased from printers. Data provided by printers allows the Group to choose printing jobs that waste less paper. Such paper-saving measures are being introduced at other BNP Paribas operations across the Group in France.

The Moroccan Bank of Commerce and Industry (BMCI), a BNP Paribas subsidiary, has saved 1.48 million sheets of paper, or 160 trees, per year since 2007 by better use of electronic publishing for its communication with clients.

**Raising employee awareness**

BNP Paribas uses internal communication channels such as a Group intranet, the Group newsletter, *Ambition*, and internal conferences to raise employee awareness about environmental issues.

BNP Paribas has also put together a booklet, *P'tit Mémo Buro*, outlining everyday environmentally-friendly habits to encourage in the workplace; nearly 100,000 copies of this booklet have been distributed to employees. The booklet was printed on recycled paper in French, English, and Italian by a French company for disabled persons.

The sustainable development section of the BNP Paribas intranet is regularly updated with the latest sustainable development news, under the heading News, and contains a monthly sustainable development newsletter titled *Monthly Sustainable Development Newsletter*.

BNP Paribas launched its first citizenship blog, [forachangingworld.com](http://forachangingworld.com), in 2008 to encourage all responsible initiatives, in accordance with its ethical undertakings and values. The blog was created as a space for communication, exchange, and interaction

### The CR Academy

Steen & Strøm, Klépierre's Scandinavian subsidiary, created an online e-learning platform called CR Academy to train its employees on sustainable development. This virtual academy centre offers a course on each of the three main aspects of sustainable development: environmental, economic, and social. 94% of Klépierre's employees in Norway, Sweden, and Denmark have taken at least one of these courses.

### The MillionTreesNYC initiative

The MillionTreesNYC initiative is a joint programme led by the New York Restoration Project, the New York Department of Parks & Recreation, and BNP Paribas. BNP Paribas has been operating in the US for over thirty years, and has always demonstrated a commitment to the environment and the New York community. This initiative, launched in 2008, aims to plant one million trees in New York's five districts. In April 2008, BNP Paribas volunteers helped build a greenhouse in Manhattan's Union Square to collect donations from city residents.

between employees and internet users interested in subjects such as ecology, employment, sustainable development, and sponsorship. Its aim is to demonstrate the diversity of the Group's undertakings, as well as those of its employees and their projects.

As part of the Group's efforts to obtain ISO 14001 certification for its new branch model, it aims to teach branch employees about environmental issues. Therefore the Group launched an employee awareness campaign in 2008, which included distributing kits describing BNP Paribas' environmental approach, appointing an environmental correspondent in the branch management department, forming a sustainable development committee for operating property, and drafting an environmental checklist for building materials and construction projects for new branch models.

In 2008 BNP Paribas Assurance maintained its employee awareness campaign on CSR in general and respect for the environment in particular. During the Sustainable Development Week, 2,500 employees were invited to take part in numerous activities promoting CSR.

### **Compliance**

In the environmental field as in other areas, the Group requires compliance with the most demanding standards, be they legal, regulatory, or internal.

Guidelines on the technical regulations applicable to managing buildings in France are issued to facilities managers. For international operations, these guidelines are drafted based on the most stringent regulations in all countries where BNP Paribas operates. Construction and renovation projects are approved based on these guidelines, and the buildings of newly-acquired companies are audited.

Currently, in accordance with the directive, all Group entities in France collect and recycle electronic equipment through producers, distributors, brokers, and recycling companies. The process relies on a system that measures these flows.

### **Effective Internal Control**

BNP Paribas continuously strives to meet the highest standards of ethical behaviour, compliance, risk management, and internal controls. Due to the rapidly-changing banking environment and increasing regulatory requirements concerning these issues, the global Group Compliance function, whose manager reports directly to the Chief Executive Officer, has been given broad powers throughout the Group.

The General Inspection unit's social and environmental methodology, updated and reinforced in 2008, allows it to assess the extent to which audited entities apply Group environmental standards and procedures. Reporting directly to the Chief Executive Officer, the General Inspection unit is completely independent to apply this methodology across the entire Group without limitation. Its audits supplement the checks already performed by entity managers.



Diversification of commitments by industry remained at a healthy level in 2008, with no further concentrations of risk arising during the year (see the Registration Document). Operations in the Energy & Commodities sector mainly finance commodities trading, which is usually highly structured and secured by collateral. Commodity financing commitments – production and international trade – are reviewed on a regular basis. The Utilities portfolio, which mainly includes electricity production and distribution, is reviewed every six months.

The Internal Controls, Risk Management, and Compliance Committee met five times in 2008 to review the Group Risk Management Report and all the areas affected by the crisis. The Committee was informed of the allocation of the Group's commitments by region and sector, and of any major concentrations of risk as defined by prudential standards. It was also regularly notified of the Bank's exposure to the different areas affected by the crisis. The Board of Directors devoted a large portion of its discussions to risk-related issues, in particular market risk, liquidity risk, and operational risk.

## Means of action

### Cost containment

Efforts to limit consumption are crucial to successful sustainable development policies. Cost containment makes it possible to offer clients the best services at the best price.

Environmental indicators and the monitoring of flows of materials have rounded out the management criteria used by the Group's procurement function. The measurement and analysis of energy consumption helps identify the principal discrepancies among entities and enables consumption to be streamlined.

### Environmental risk management

Environmental risks are included in the analysis of credit and operational risks. Credit risk management policy requires the identification of environmental risks and defines specific adaptations for certain business lines. The ratings policy for corporate financing sets modalities of implementation for factoring environmental risk data into ratings models.

### Project finance

#### ■ A business requiring specific expertise

When considering financing for large-scale environmentally-sensitive projects, the due diligence stage includes an audit of the social and environmental consequences of the project, performed by a recognised expert in the field. This audit identifies the environmental impacts and how they may affect a project's viability.

The audit is performed by independent consultants prior to any financing arrangements, so that the Bank, if needed, can reject a project that does not offer satisfactory performance with regard to local standards and international guidelines such as those set forth by the OECD. If financing is granted, the consultant's recommendations are included in the project's financial documents, and the developer must implement and maintain an environmental management plan that guarantees the project's compliance with applicable laws and guidelines.

The Corporate and Investment Banking business takes special care to ensure that corporate clients follow environmental regulations' constraints when operating in non-EEC countries within Europe.

#### ■ The Equator Principles

In 2008 BNP Paribas formally adopted the Equator Principles for its project financing activities. These Principles constitute a benchmark for the financial sector for the identification, assessment, and management of social and environmental risks related to project financing activities. They are based on the social and environmental performance criteria set forth by the World Bank and the International Finance Corporation. BNP Paribas applies these principles on a global level for all new financing or advisory services for projects exceeding USD 10 million, regardless of the particular sector.

BNP Paribas is one of the global leaders in project financing. The adoption of the Equator Principles is consistent with the Group's approach to risk management and analysis. Indeed, BNP Paribas had already implemented some of the Principles' social and environmental risk assessment procedures before it signed up to the Principles. By adopting the Principles, BNP Paribas has formally confirmed its commitment to sustainable development.

As part of the adoption process, the Group introduced a procedure to identify potential projects that could pose social or environmental problems. This procedure uses an expert system to warn division managers before they meet with loan committees, so that the committee can either refuse the project or introduce measures that would bring the project into compliance with the Principles.



In 2008 the Group formed a team to formalise and distribute procedures for all transactions concerned by the Principles, and to train project finance staff – as well as all other employees involved in the loan agreement process – on the Principles. This team developed an Equator Principles training programme in the form of an intensive one-day seminar, and gave the seminar to over 100 experienced staff and managers in the first quarter of 2009. Additional measures have also been taken to ensure consistent application of the Principles and the sharing of best practices.

#### ■ Financing renewable energy projects

BNP Paribas is a major player in the field renewable energy, especially in Europe, and financed numerous projects in 2008. It has a team of 120 employees working across the main countries who are qualified to make investment decisions for renewable energy projects.

The Group was awarded for its commitment to renewable energy several times during the year. For example, BNP Paribas financed the innovative Fred Olsen Wind Portfolio, which opened the door to new large-scale financing and greater flexibility for the sector. The Portfolio invested GBP 304 million to build or refinance four wind farms in Scotland generating a total of 315 MW of power. The borrowers have the option to buy new wind farms using the same financing structure. This transaction won two prestigious awards: Euromoney European Wind Deal of the Year and Project Finance International European Renewables Deal of the Year.

In the US, Capstar Partners Capital LLC, a fully-owned BNP Paribas subsidiary, was highly active in providing advisory and financing services for major renewable energy projects in 2008.

#### Environmentally-friendly loans

BNP Paribas offers a wide range of loans to promote the use of energy-efficient equipment and materials during building construction, a key issue identified during Grenelle Environnement.

French Retail Banking offers a low-interest personal loan, **Energibio**, to help clients finance home improvements that focus on energy savings and sustainable development.

BNP Paribas Personal Finance offers the **Bons Plans Ecologie** loan for clients planning to buy a new home and install energy-efficient equipment and materials. This green loan offers a 1% interest rate and is available for any amount up to EUR 6,000.

BNP Paribas Personal Finance and EDF have joined forces to offer an original type of loan, the **Prêt Photovoltaïque**. This loan can be used to pay for the installation of solar panels on homes without having to use up cash. The loan includes installation and start-up services from EDF, and borrowers receive government grants and VAT refunds that can be used to pay-off some of the loan without penalty. The rest of the loan can be paid-off annually with the help of income received by selling back to EDF any unused power generated by the solar panels. This loan enables borrowers to enjoy a free, green source of energy – and an additional revenue stream once the loan is paid off.

In 2008 Cortal Consors continued the **Investir Utile** programme started in 2006. This programme aims to encourage clients to invest in environmental and sustainable development funds. Under this programme, clients pay a reduced subscription fee of 0.5% on all online investment orders for two weeks; these subscription fees are topped-up by Cortal Consors France and its partner companies. 2% of the money collected is given to GoodPlanet to pay for reforestation in Chile, electric boiler plates to save wood energy in Cambodia, and anaerobic digesters to recycle waste into compost and biogas in India.

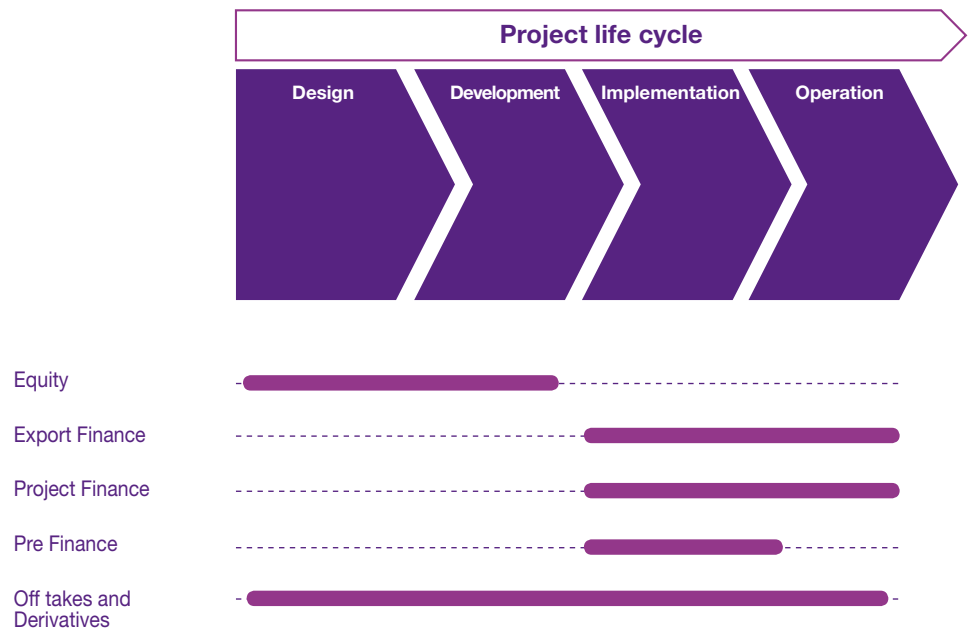
The Global Equity Derivatives business has created a series of indices comprised of companies that develop systems to cut greenhouse gas emissions or that have a positive effect on society or the environment. These indices cover several issues such as energy efficiency, renewable energy, and waste management. They also include the European companies considered the most socially responsible based on a variety of ratings and indicators.

### **BNP Paribas and emissions trading markets**

The Kyoto Protocol and the EU Emissions Trading Directive have placed a monetary value on an environmental factor, namely, CO<sub>2</sub> emissions. The European Union Emissions Trading Scheme (EU ETS), introduced in 2005, sets CO<sub>2</sub> emission targets for 12,000 industrial sites in Europe and lets them meet these targets at a relatively lower cost by trading quotas on a market.

Within this context, the goal of BNP Paribas' Carbon team is to include considerations related to greenhouse gas emissions while operating all business lines. The carbon emission restrictions set forth in international agreements will have a long-term influence on the structure of financed assets, and need to be taken into account in financing decisions. In addition to developing new products, companies will have to consider the financial aspects of schemes to reduce greenhouse gas emissions in the services they offer. BNP Paribas draws from its solid skills in asset financing and asset management to help companies meet their emissions targets as cost-effectively as possible.

A full range of CO<sub>2</sub> Risk management solutions at every project stage.



- **EUA:** European Union Emission Allowance. Granted to entities participating in the European system for trading emissions rights.
- **CER:** Certified Emission Reduction. A credit equivalent to one tonne of CO<sub>2</sub> reduction achieved through the clean development mechanism.
- **ERU:** Emission Reduction Unit. A credit equivalent to one tonne of CO<sub>2</sub> reduction achieved through the Joint Implementation (JI) mechanism.

BNP Paribas is actively involved in the EU ETS for both proprietary and client trading, and is a major participant in carbon emissions markets. BNP Paribas Commodity Futures is one of the largest institutions in the London Clearinghouse in terms of amounts cleared and EUA futures executed. Commodity Futures accounts for approximately 20% of the orders on the European Climate Exchange (ECX), which is the largest platform for carbon

emissions trading in Europe. Commodity Derivatives is one of the main participants in the EU ETS. BNP Paribas Commodity Futures is a key player in the carbon credit derivatives market, especially in carbon credit options – a booming market. On 16 May 2008 BNP Paribas became the first institution to trade Certified Emission Reduction (CER) options on the European Climate Exchange, with a volume of 1,250,000 CERs.

Environmental Finance, one of the most widely-recognised magazines in the industry, named BNP Paribas the best options trader in the carbon market and the best financier of Kyoto projects (CDM and JI) in the primary market.

BNP Paribas is highly active in emissions trading markets and has a substantial portfolio of carbon credits from Clean Development Mechanism projects with high environmental value, making the Group well-positioned to offer intermedia-

[BNP Paribas is among FTSE4Good's European environmental leaders](#)

**2008 marked another year that BNP Paribas was included in the FTSE4Good Environmental Leaders Europe 40 Index. This index is comprised of Europe's leading companies for environmental management, based on a rating of their environmental initiatives. BNP Paribas is the only French bank in the index. The European Investment Bank (EIB) and the international banking community have adopted this index, which provides investors with information on the environmental responsibility of the main European issuers.**

tion services to clients subject to CO<sub>2</sub> emission limits. These services include placing buy and sell orders for carbon credits, guaranteeing delivery of carbon credits, and developing derivatives-based hedging solutions. The volume of carbon credits traded by BNP Paribas more than doubled in 2008 relative to 2007.

In 2008, BNP Paribas served as an arranger for projects that enabled significant reductions in CO<sub>2</sub> emissions. These projects included the construction of a 750 MW gas turbine power plant in Azerbaijan, which replaced an old facility and cut CO<sub>2</sub> emissions by over 700,000 tonnes per year. They also included a partnership with Eskom, Africa's largest utility company, to replace 35 million incandescent light bulbs in South Africa with energy-saving light bulbs between 2007 and 2009. This project will reduce the country's energy use and eliminate the need to build a new power plant (which would probably have been coal-fired). It also helps the local community since it cuts households' electricity bills and creates an integrated system for disposing of old light bulbs. BNP Paribas' Carbon Finance team, backed by South Africa's Coverage team, will help Eskom register the project with the CDM Executive Board so that revenue from selling carbon credits can be used to refinance the project.

BNP Paribas, a group that is constantly attuned to the market and seeking to offer innovative services, developed a new type of carbon security for Sterling Waterford, a South African bank. This security, issued on 1 November 2008, allows South African investors to invest in CDM projects and take advantage of market prices for carbon credits. BNP Paribas selected a diversified portfolio of CDM projects for this security, which has been listed in Johannesburg since it was issued.

# A partner in society







[BNP Paribas launches a corporate social responsibility blog](#)

Acutely aware of its duty towards society, BNP Paribas created its own corporate social responsibility blog in 2008: *forachangingworld.com*. Open to everyone, this first interactive blog aims to build bridges between people from different backgrounds, invite exchange and encourage dialogue. The blog, available in French and English, is dedicated to the Bank's goodwill initiatives around the world.

**BNP Paribas, committed to developing its host territories**

BNP Paribas places great importance on cultural diversity and has taken various initiatives to strengthen its roots in the social fabric, which is inseparable from its retail banking business. These initiatives focus mainly on microfinance and social inclusion through education, entrepreneurship and cultural patronage. The BNP Paribas Foundation, which discreetly accompanies the Group's business activities, also offers many valuable opportunities for discovery, exchange and dialogue. Although not a core part of its civic commitment, patronage nonetheless expresses the way in which the Group more broadly assumes the other areas of its social responsibility.

A deeper commitment to microfinance

Just two years after launching its international microfinance activity, BNP Paribas is now ranked among the world's top ten in the sector for wholesale loans, according to a recent survey. This activity is based on three complementary types of commitment:

1. Financing international microfinance institutions (MFIs);
2. Microfinance funds;
3. Skills-based volunteer work.

**Financing international microfinance institutions**

BNP Paribas believes that one of the crucial success factors in the microfinance business is the close support given by Microfinance Institutions (MFIs). For this reason, BNP Paribas does not intend to develop a direct microfinance activity itself, but will seek to identify the most professional MFIs and finance their development, especially in the countries where the bank operates.

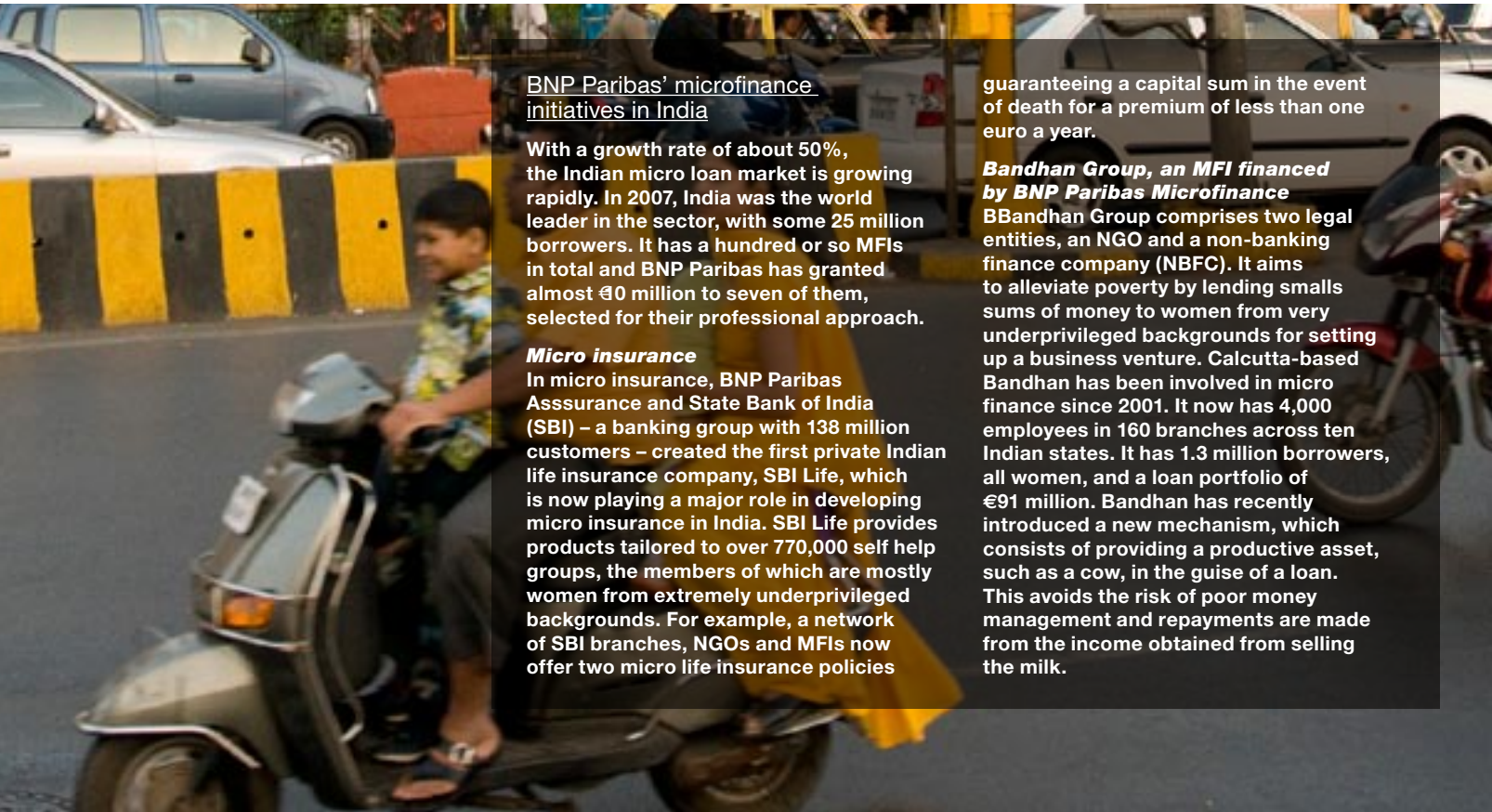
According to an international survey published in March 2008, BNP Paribas is the third largest lender to the microfinance sector in terms of commitments. At end September 2008, BNP Paribas worked with twenty-two MFIs in twelve countries. Commitments totalled €75 million, of which 63% in Africa, 21% in Latin America and 16% in Asia. Micro loans granted to 450,000 borrowers, 80% of whom are women, have an impact on at least two million people counting their families

With its MFI partners, the Group endorses the six guiding principles set out by the Consultative Group to Assist the Poor (CGAP), an association of development agencies, as regards consumer protection and transparency: protection against excessive debts, pricing transparency, appropriate collection practices, compliance of MFI staff with a code of conduct, a mechanism for handling complaints and disputes and data protection.

BNP Paribas has forged partnerships with several international microfinance networks such as Solidarité Internationale pour le Développement et l'Investissement (SIDI), Horus, Grameen Foundation in the United States and PlaNet Finance. The aim is to develop relationships with networks which share the same risk management and social impact methodologies with their affiliates.

**Microfinance funds**

The market in microfinance investment vehicles is growing rapidly, reaching \$5.5 billion in 2008, a threefold increase in two years. There are some one hundred funds, twenty-five of which are commercial in nature. Since 2005, as part of its philanthropic offering, BNP Paribas Wealth Management has provided its international clientele with a microfinance fund founded by responsAbility and PlaNet Finance.



#### BNP Paribas' microfinance initiatives in India

With a growth rate of about 50%, the Indian micro loan market is growing rapidly. In 2007, India was the world leader in the sector, with some 25 million borrowers. It has a hundred or so MFIs in total and BNP Paribas has granted almost €0 million to seven of them, selected for their professional approach.

#### **Micro insurance**

In micro insurance, BNP Paribas Assurance and State Bank of India (SBI) – a banking group with 138 million customers – created the first private Indian life insurance company, SBI Life, which is now playing a major role in developing micro insurance in India. SBI Life provides products tailored to over 770,000 self help groups, the members of which are mostly women from extremely underprivileged backgrounds. For example, a network of SBI branches, NGOs and MFIs now offer two micro life insurance policies

guaranteeing a capital sum in the event of death for a premium of less than one euro a year.

#### **Bandhan Group, an MFI financed by BNP Paribas Microfinance**

Bandhan Group comprises two legal entities, an NGO and a non-banking finance company (NBFC). It aims to alleviate poverty by lending small sums of money to women from very underprivileged backgrounds for setting up a business venture. Calcutta-based Bandhan has been involved in micro finance since 2001. It now has 4,000 employees in 160 branches across ten Indian states. It has 1.3 million borrowers, all women, and a loan portfolio of €91 million. Bandhan has recently introduced a new mechanism, which consists of providing a productive asset, such as a cow, in the guise of a loan. This avoids the risk of poor money management and repayments are made from the income obtained from selling the milk.

#### **Microfix**

BNP Paribas has also confirmed its commitment to microfinance by supporting the creation of Microfix, a microfinance fund for currency hedging. BNP Paribas provides technical assistance and its expertise in the derivatives markets to PlaNet Finance, Corporate Connect (investment consultancy in the emerging markets), FMO (the Dutch development agency) and TCX (a currency hedging fund launched in 2007). Microfix works with MFIs and international investors to open up the capital markets to developing countries and to help them better understand currency risk by providing currency hedging services. MFIs are exposed to currency risk because they grant micro loans in local currencies whilst their own functional currency is the dollar or the euro. Microfix provides them with a practical solution.

#### **Obli Etheis**

In early 2009, BNP Paribas launched Obli Etheis, its first microfinance mutual fund. Obli Etheis invests 5% to 10% of its assets in microfinance and has received the seal of approval from Finansol, the French solidarity finance organisation. This portion of the fund, which represents about €3 million, is reinvested in the responsAbility Global Microfinance Fund, which has an impact on more than 3,000 micro entrepreneurs in developing countries.

### Skills-based volunteer work

*MicroFinance Sans Frontières* and *JACadie* (an association that supports micro entrepreneurs financed by the ADIE), BNP Paribas' two skills-based volunteer schemes launched in 2007, began to produce results as early as 2008.

*MicroFinance Sans Frontières* provides MFIs in emerging countries with the benefit of banking skills in areas such as risk management, financial control and information systems. It organised about ten technical support missions in 2008 in partnership with organisations such as SIDI, Horus and the Aga Khan Foundation. MFIs appreciate this service and recognise its effectiveness in improving economic efficiency in the area of banking.

Capitalising on its initial experience in 2005, *JACadie* has attracted a growing number of volunteers. They provide management skills to micro entrepreneurs financed by the *Association pour le Droit à l'Initiative Economique* (ADIE) to help them set up their business ventures. The BNP Paribas Association of Retirees (ADR), which has 22,000 members, partners this project. There are also strong connections between *JACadie* and the *Projet Banlieues* scheme run by the BNP Paribas Foundation, and with French Retail Banking's initiatives in partnership with ADIE.

### Projet Banlieues three years on

In December 2005, just after the urban rioting that spread across France, BNP Paribas decided to set up a new scheme called *Projet Banlieues* in addition to the initiatives it was already taking to promote employment and social inclusion.

Co-ordinated by the BNP Paribas Foundation and relayed through the retail banking network, *Projets Banlieues* was launched quickly thanks to the Foundation's ten years of experience in outreach work, especially through its partnerships with the leading national outreach associations. Its two main partners in this field are ADIE, which provides micro loans to the unemployed and people on income support to help them set up their own business ventures, and the Association de la Fondation Étudiante pour la Ville (AFEV), which recruits volunteer students to help youngsters from difficult neighbourhoods

with their school work.

*Projet Banlieues* has three focuses: creating jobs through micro loans in partnership with ADIE, educational support for youngsters in difficulties in partnership with AFEV, and support for community projects undertaken by local associations in difficult neighbourhoods.

Capitalising on its excellent results, *Projets Banlieues*, which was originally due to expire in 2008, was renewed on the same basis for a further three years from 2009 to 2011.

### Micro financed business start-ups in partnership with ADIE (see table below)

With the support of BNP Paribas, ADIE has been able to open seven branches in the difficult districts of Marseille, Toulouse, Lyon, Evry, Aulnay-sous-Bois, Asnières and

	Total	2006 6 branches	2007 6 branches	2008 7 branches
<b>Targets</b>				
Business start-ups	800	100	300	400
<b>Results</b>				
Micro loans granted (= number of people financed)	1,108	100	348	660
Business start-ups	867	100	295	472



*Projet Banlieues: Inauguration of the ADIE branch in Aulnay-sous-Bois by Maria Nowak*



*Projet Banlieues: Afev campaign*

Montpellier. In three years, more than 1,100 micro loans have been granted by these branches, financing more than 860 business start-ups. 65% of people financed by the scheme are on minimum social support. 16% of them are self-employed people who had set up their venture and needed financing before they knew about ADIE.

Under the terms of the partnership with ADIE, French Retail Banking provides a credit line raised to €6.6 million in 2008, undertakes to cover part of the risk of non-collection, and helps to finance ADIE's operating expenses (for around €350,000). BNP Paribas also provides ADIE's entrepreneur members with the Esprit Libre Pro package at no cost for six months. In 2008, BNP Paribas developed the I-adie software package to facilitate the exchange of instructions between ADIE and the Bank's branches.

### **Educational programmes in partnership with AFEV**

Under the *Projet Banlieues* scheme, the AFEV opened three new branches in Évry, Rouen and Nice, strengthened its Lyon, Toulouse and Saint-Denis branches, and recruited six permanent staff. As a result, it was able to support almost 1,200 more children, which was better than initially expected. AFEV also recruited 700 more volunteer students as a result of its involvement in these new vulnerable neighbourhoods.

	<b>Additional students recruited thanks to <i>Projet Banlieues</i></b>	<b>Additional children supported thanks to <i>Projet Banlieues</i></b>
Évry	69	95
Lyon	195	285
Nice	90	90
Rouen	70	85
Toulouse	240	328
Saint-Denis	42	290
<b>Total</b>	<b>706</b>	<b>1,173</b>

### **Assistance in recruiting new volunteers**

In addition to the financial support provided by the Foundation, BNP Paribas has implemented targeted campaigns through its networks to promote AFEV's action and its volunteer scheme, particularly among young people. After its 2007 national e-mail campaign targeting 330,000 customers aged 18 to 25, in 2008 BNP Paribas launched a new campaign by including information on AFEV in the pack given to students when they open an account with BNP Paribas

### **Support for actions taken by neighbourhood associations**

BNP Paribas knows that local associations working in difficult neighbourhoods very often play an important role in the town through their community projects. It therefore decided to reach out to them and provide financial support for their actions in the ten priority departments of France.

In three years, the BNP Paribas Foundation has supported 124 associations, including 41 in 2008. Their initiatives focus mainly on culture and sport, education, training, professional and social inclusion, leisure and disability.



## BNP Paribas Foundation: imaginative and active support

Its historical partnerships include microfinance organisations, the Telethon in Italy and France, as well as many other associations. But BNP Paribas is also known internationally for its patronage of the creative arts, for promoting and preserving cultural heritage and for its commitment to research and associations involved in social inclusion, education and development. Over the years, it has become a real powerhouse for local and global initiatives and a true innovator in corporate social responsibility.

Against this background, the BNP Paribas Foundation, which operates under the auspices of the Fondation de France, has developed sound expertise and knowledge of the countries and cultures where the bank operates. The Foundation has taken on a leading role in the bank's patronage policy as a result of its experience, the advice it provides to business units and territories in setting up their actions or programmes, as well as the projects it has gradually developed internationally in line with the values that underpin the Group's social commitment.

In 2008, the Foundation's role and its governance system were redefined. BNP Paribas entered into a new agreement with the Fondation de France. Among the key points were the appointment of a new Chairman, a reshuffle of the Foundation's executive committee, which comprises a college of founders made up of bank representatives and a college of experienced outside people. These changes also provided the opportunity to set out the guiding principles for identifying and supporting partners:

- Identifying partners means being able to pick out projects that are in line with the Foundation's guiding spirit and its areas of involvement. It also means looking beyond those projects that come to it directly. It requires a good knowledge of the areas concerned by patronage, a sense of curiosity and the ability to assess a project's impact and reach.
- Supporting projects is a core part of the Foundation's approach. Supporting a project does not simply mean providing funds for a few years but, just as importantly, it means listening to the people running the project, providing input, advising them and introducing them to useful contacts, particularly in institutional networks and the bank's own networks.

In 2008, the Foundation's actions were split more or less equally between healthcare and outreach programmes on one side and cultural patronage. In healthcare, actions focused on medical research and improvement of the living conditions of disabled people. In outreach, actions mainly comprised programmes to promote the social inclusion of vulnerable populations and initiatives where bank employees can become personally involved. In culture, actions focused on preserving and promoting museum heritage, rediscovering and promoting musical heritage, as well as supporting artistic expression in contemporary dance, new circus arts, jazz and literature.





Medical research: Laboratory of Human Genetics of Infectious Diseases, Necker Hospital, Paris.

## Healthcare

As part of its support for healthcare and research, the BNP Paribas Foundation assists researchers and physicians working in both medical research and applied clinical research. Drawing on the expertise of organisations recognised by the scientific community, its actions most often take the form of funding for newly established teams over a period of several years

### ■ National Cancer Center Singapore

In 2008, the BNP Paribas Foundation, in association with BNP Paribas Singapore, decided to support the NCCS Regional Fellowship Program, a new research and co-operation programme set up by the National Cancer Center Singapore. Led by Professor Soo, a member of several international oncology societies, the NCCS has four missions: treating patients, research, educating the public and training.

The NCCS Regional Fellowship program hosts for one-year at the National Cancer Center in Singapore a team of oncology specialists, comprising a doctor, surgeon and research scientist, all from the same medical institution in the same region. Apart from forging professional and human relationships, the idea behind this cooperation and skills transfer program is that the medical teams will use the knowledge they gain from their training to improve research, treatment and care for cancer patients in their home countries.

A Vietnamese medical team was selected to receive support from the Foundation and BNP Paribas Singapore

### ■ BNP Paribas Corporate and Investment Banking and the Institut Pasteur

In 2008, BNP Paribas Corporate and Investment Banking (CIB) decided to provide financial backing for medical research in a sum equal to the budget previously dedicated to end-of-year gifts. This year, CIB has decided to join the global combat against infectious diseases alongside the Institut Pasteur, a long-time partner of the BNP Paribas Foundation. BNP Paribas CIB will provide funding in 29 countries to the medical research teams from the international network of Instituts Pasteur as well as laboratories working in association with the Institut Pasteur in Paris. The selected research programmes include dengue fever (Mexico), hepatitis C (Spain), measles and HIV (United Kingdom), amoebiasis (India), malaria (Colombia, Brazil), West Nile virus (Czech Republic) and tuberculosis (Belgium).

In France, BNP Paribas CIB supports research into high pathogenic avian flu in the natural, rural and urban environment as part of a project partially funded by the European Union.

### ■ Disability research funding

Each year, the Garches Foundation invites applications for grants and research contracts from young research teams working on motor, sensory and cognitive impairment as well as from doctors working on improving patient care. In November 2008, at the Garches Foundation's 21st annual seminar on disability, the BNP Paribas Foundation presented awards to four young researchers for their work in this field. A partner to the programme since 1991, the BNP Paribas Foundation has so far provided grants enabling more than 60 researchers to continue their work on disability.

## Outreach

In outreach, the BNP Paribas Foundation has chosen to become involved in innovative pilot projects aiming to promote social reinsertion and combat various forms of exclusion.



Helping Hand Programme:  
Enfants de tous pays association



Helping Hand Programme: Sports et Loisirs association in a helio-marine Center



Helping Hand Programme:  
Gloria association

■ Employee initiatives

**The Helping Hand programme for employee projects in France**

Since 2003, through the Helping Hand programme for employee projects, the BNP Paribas Foundation has supported projects of general interest run personally by employees of BNP Paribas France. The programme provides funding and support for associations in which employees are involved on a volunteer basis. The diversity of issues addressed, such as outreach, healthcare, disability and precariousness, reflects the personal commitment of the bank's people as well as the human dimension of these initiatives.

Among the 34 associations supported in 2008 were Enfants de Tous Pays, which defends children's rights. With support from the BNP Paribas Foundation, this association was able to build a hostel for some thirty young street girls in Pondicherry, India, and provide them with education and professional training. Another example is Solidarités Nouvelles pour le Logement, an association whose project is to open a hostel in Maisons-Alfort in the Paris region with the aim of offering a viable, decent home for people in difficulties and victims of social exclusion.

Since the programme was launched, 215 projects have been undertaken in Europe, Asia, Africa and South America.

**Helping Hand worldwide**

Similar initiatives have been taken in several other countries, promoting the values of commitment, solidarity and respect for human rights, such as the Apoyamos tus ideas programme in Spain and Mano Amica run by the BNL Foundation in Italy. A Helping Hand programme has also been set up in Luxembourg and Switzerland where each year the BNP Paribas Switzerland Foundation supports more than ten associations in which employees are involved.



*Projet Banlieues:*  
Chess tournament in Montreuil

## ■ BNP Paribas Foundation projects

### Combating school failure

In September 2008, the BNP Paribas Foundation supported the first day devoted to combating school failure, launched by AFEV in partnership with France 5-Curiosphère and Trajectoires-Reflex. The event aimed to raise public awareness of this issue, invite debate and encourage the proposal of concrete solutions to help prevent the 150,000 or so young people who leave school each year with no qualifications from plunging into the downward spiral of failure.

### Support for schools

Since 2007, BNP Paribas has strengthened its support for difficult urban areas by allocating a major part of its apprenticeship tax to schools in vulnerable neighbourhoods. In 2008, the Foundation contributed one million euros to some one hundred schools in these areas to finance the purchase, rental and maintenance of educational and professional material and equipment.

### EVEQ: promoting an enterprise spirit in difficult neighbourhoods

Since 2006, the BNP Paribas Foundation has supported the Entreprendre Villes et Quartiers (EVEQ) association by providing funding for prize winners of enterprise competitions in disadvantaged areas organised each year by the association. In 2007, BNP Paribas strengthened its support for EVEQ as part of its campaign «It's time to take a fresh look at our city suburbs», providing both funding and the skills of the bank's employees.

### Discovering the business world

BNP Paribas and AFEV experimented with a new type of partnership in 2008. Bank employees agree to mentor a secondary school pupil to help them discover the world of work and the banking business. The aim is to combat social inequalities when it comes to career choice and insertion. The BNP Paribas mentors undertake to spend two hours a month with the pupil and a volunteer student to help the pupil discovering and understanding the business world. The pilot test began in early 2008 with some fifteen student-pupil teams in Paris and Lyon.

### Music in the cities

Introducing vulnerable neighbourhoods to art music – an experiment successfully conducted by the BNP Paribas Foundation in 2008 thanks to its long-standing links with the Ysaÿe Quartet and AFEV. Miguel da Silva, violist with the Ysaÿe Quartet, accompanied by his pupils, the young Connivences Quartet, spent two days in AFEV's premises in Saint-Denis to help forty or so youngsters discover the world of classical music and string quartets. In a relaxed atmosphere, the youngsters were able to ask all questions they wanted to help everyone better understand each musician's place in a formation that demands a sharp ear, respect and rigour. The high note of the project was an outing for the youngsters, accompanied by their close friends and families, to the Musée d'Orsay auditorium on 30 March and 6 April 2008 to hear all Beethoven's quartets as interpreted by the Ysaÿe String Quartet.

### Chess tournament in Montreuil

For the second year running, as part of the Projet Banlieues scheme, the BNP Paribas Foundation has supported the French Chess Federation and its programme to create chess clubs in vulnerable urban neighbourhoods. After Clichy-sous-Bois in 2007, it was the turn of the Tous aux Echecs! Chess club in Montreuil to benefit from the initiative to set up workshops in the town's secondary schools and organise an event based around chess. Organised on 22 November 2008 with the BNP Paribas Saint-Denis group of branches, the event attracted many youngsters accompanied by their parents, all linked by their common interest in the world's most popular strategy game.





Taubou: Aurélien Bory  
Tangiers Acrobatic Troupe



Press / Pierre Rigal  
Dernière Minute Company

## Culture

In culture, the BNP Paribas Foundation focuses on contemporary artistic expression by providing ongoing support for creative artists in disciplines often neglected by corporate benefactors. At the same time, it helps to discover rare or unheard musical works and to promote cultural co-operation programmes.

### ■ Eastern jazz with BNP Paribas El Djaïr

On 12 November 2008, the Orient-Europe Express Trio gave a concert at the Palais de la Culture in Algiers with the joint support of the BNP Paribas Foundation and BNP Paribas El Djaïr. The trio, which was created as part of the Culture & Coopération association's programme to promote intercultural dialogue, brings together musicians from different backgrounds and traditions, who combine to create a surprising musical dialogue. Their repertoire is a blend of original and well known compositions from Arab or Persian music as well as jazz and western classical music.

### ■ A talented prize-winner

Winner of the 2007 Young Writer's prize – of which the BNP Paribas Foundation is a long-time partner – Jean-Baptiste Del Amo has confirmed his taste and talent for writing by publishing his first novel, *Une éducation libertine*. Published by Gallimard, the novel by this young twenty-six year old author has not gone unnoticed. It was selected by journalists of the magazine *Lire* from amongst the hundreds of works published for the new literary season. It also won the Laurent-Bonelli prize and was short-listed for the Goncourt prize.

### ■ Tretiakov Gallery in Moscow: restoration of Natalia Goncharova's triptych *The Bathers*

At the end of 2008, as part of its continuing programme to help restore international works of art, the BNP Paribas Foundation chose *The Bathers* by Natalia Goncharova (1881-1962), currently in Moscow's Tretiakov Gallery, one of Russia's most highly respected museums.

Natalia Goncharova, founder of the Rayonist movement with her husband Mikhail Larionov in 1908, was a leading light of the Russian avant-garde in the early 20th century. She developed a personal style which was a synthesis of Cubism, Futurism and Orphism. In 1914, she went to Paris and began a long association with Sergei Diaghilev, creating costumes and sets for the ballet. Her triptych *The Bathers*, which was painted in Paris in 1922, was exhibited for the first time at the Salon des Indépendants in the same year. A highly original work in more than one respect, it combines Natalia Goncharova's talent as a colorist painter with her experience in creating theatre sets. The harmonious composition of large shapes and bold colours make this a monumental independent work of art, synthesising Gontcharova's non-figurative work.

Once restored and put back together, these three paintings, which were donated to the Tretiakov Gallery in 1988, will be exhibited in public for the first time and will take pride of place in the rooms dedicated to works by Goncharova and Larionov and in the suite of rooms dedicated to early twentieth century art.

### ■ Pierre Rigal and his company *Dernière Minute*

The Foundation supports the career of choreographer Pierre Rigal and his company *Dernière Minute*. A former 400 metre hurdles champion, Pierre Rigal swapped his mathematics studies for choreography and theatre design at the age of twenty-four. His high level sports training has given him a sense of effort, endurance and performance. *Press*, his fifth and latest work, created for the Gate Theatre in London, was performed for three weeks in Notting Hill. The British press was highly appreciative of the show, which obtained four stars from the *Guardian* and five from *Time Out*. Back in France, this solo performance, which combines dance, theatre, illusion and acrobatics, was the central event of the *Rencontres Chorégraphiques* in Seine-Saint-Denis in June 2008.

## Outside France, outreach actions to promote social inclusion and cohesion

BNP Paribas contributes to the economic and social development of its host territories, not only by focusing on local recruitment (see chart showing percentage of local employees on page 124), but also by supporting local initiatives in partnership with associations and organisations involved in civil society.

### Bank of the West and financial education

In 2000, the Group's US subsidiary became a partner of Operation Hope Inc. (OHI). Operation Hope provides underserved inner-city communities with mainstream financial services and financial literacy programs. From 2000 to 2008, Bank of the West contributed a total of \$1.3 million to OHI. The partnership has sponsored several financial literacy programs including Banking On Our Future (BOOF), aimed at school children between nine to eighteen years of age in Oakland, Portland and Denver. More than 160 Bank of the West employees have already taken part in the programme as volunteers, providing approximately 750 hours of training to some 5,000 pupils. Hope Centers provide free adult financial literacy and economic empowerment workshops as well as financial support to help people become home owners or set up their own business. The Hope initiative also provides financial counselling and aid to help natural disaster victims rebuild their lives.

### Creation of the BMCI Foundation

The Banque Marocaine pour le Commerce et l'Industrie (BMCI) created its Foundation in 2008. BMCI has pursued a policy of cultural and social patronage since the end of the nineteen nineties, contributing to Morocco's social and cultural development through partnerships in music, publishing and outreach. Drawing on its experience in general interest causes and with the BNP Paribas Foundation, BMCI has deepened its commitment by creating its own Foundation.

BMCI has developed a cultural patronage focused on classical music. It has supported several flagship musical events and institutions in Morocco since their beginnings, such as the Morocco Philharmonic Orchestra, which celebrated its tenth anniversary last year, and the music festival Printemps Musical des Alizés, which is now in its eighth year. Whilst consolidating these partnerships, the BMCI Foundation has broadened its music patronage policy to encompass jazz and contemporary music, as demonstrated by its patronage of the 2008 Tangiers Jazz Festival Tanjazz.

For the launch of its Foundation, BMCI chose to partner the Moroccan tour of the Taoub show performed by the Acrobatic Troupe of Tangiers, with the joint support of the BNP Paribas Foundation and the Instituts Français in Morocco. The show, a blend of the traditional and the contemporary, has already successfully toured fifteen countries around the world and made its debut tour of Morocco in summer 2008.

### Geojit in India

As India has a very young population, Geojit, the Indian subsidiary of BNP Paribas Personal Investors, and the Indian Stock Exchange have joined forces to promote knowledge about the investment world among young people. Geojit organises initiation seminars in secondary schools to teach pupils about the financial markets.

On a totally different note, Geojit also took part in distributing food to provide meals for penniless patients at the Ernakulam hospital in Kerala State, India. For 30 days, Geojit volunteers served food to 300 patients and their carers.



### **BICIS in Senegal**

In 2008, the Banque Internationale pour le Commerce et l'Industrie du Sénégal (BICIS) granted 2 million CFA francs (€3,000) to Samusocial, an association dedicated to combating the dangers threatening street children. This is not an isolated gesture by BICIS, which regularly provides support for various organisations. In 2008, during the severe flooding that hit Dakar and inland areas, BICIS donated 4 million CFA francs (€6,000) to Senegal's national committee for action against flooding.

In 2008, Action Sanitaire pour le Fouta (Asfo) again received funding from BICIS. Asfo is an association of physicians, paediatricians, ophthalmologists, gynaecologists, pharmacists, dentists and nurses who give up their time to provide free consultations for people in fifteen or so villages.

### **Arval's international network**

Arval's social responsibility policy focuses on the combat against social exclusion and helping integrate the disabled into social and professional life. Arval's local offices support a variety of organisations, such as the ELEPAP association for disabled children in Greece, the Jasnenka foundation in the Czech Republic, SOS Children's Villages in Germany, UNICEF in Poland and the Mohammed V Foundation in Morocco.

### **SOS Children's Villages**

In 2008, UBCI, the Bank's Tunisian subsidiary, supported the SOS Children's Villages association by organising a «Best Drawing Competition» in three SOS Villages in Gammarth, Siliana and Mahrès. UBCI has supported this association since 2006. It helps children with no parental care grow up together as brothers and sisters in a caring family environment. The 44 participants in the competition, who were between 6 and 12 years old, were awarded prizes by a jury of artists, volunteers and employees from the bank. At the prize giving, three winners from each village were given a UBCI savings passbook worth 500 to 1,000 Tunisian dinars. All the others participants received gifts including dictionaries, encyclopaedias, fairy tales and board games.

SOS Children's Villages is also supported in Algeria by BNP Paribas El Djazair and in Morocco by the BMCI Foundation.

# Corporate Governance



# The Board of Directors



Michel  
PÉBEREAU

- Principal function <sup>(1)</sup>:**  
Chairman of the Board of directors of BNP Paribas
- Born on 23 January 1942
  - Elected on 23 May 2006. Term expires at the 2009 AGM
  - First elected to the Board on: 14 May 1993
  - Number of BNP Paribas shares held <sup>(2)</sup>: 184,192
  - Office address:  
3, rue d'Antin – 75002 Paris, France

Functions at 31 December 2008 <sup>(1)</sup>

**Director of:**  
Lafarge, Compagnie de Saint-Gobain, Total, BNP Paribas SA (Switzerland), Eads NV (Netherlands), Pargesa Holding SA (Switzerland)

**Member of the Supervisory Board of:**  
AXA, Banque Marocaine pour le Commerce et l'Industrie (Morocco)

**Non-voting director of:**  
Société Anonyme des Galeries Lafayette

**Chairman of:**  
Investment Banking and Financial Markets Committee of Fédération Bancaire Française, Management Board of Institut d'Études Politiques de Paris, Supervisory Board of Institut Aspen France, Institut de l'Entreprise

**Member of:**  
Académie des sciences morales et politiques, the Executive Committee of Mouvement des Entreprises de France, Haut Conseil de l'Éducation, European Financial Round Table, Institut International d'Études Bancaires, International Advisory Panel of the Monetary Authority of Singapore, International Capital Markets Advisory Committee of the Federal Reserve Bank of New York, International Business Leaders' Advisory Council for the Mayor of Shanghai (IBLAC)



Patrick  
AUGUSTE

- Principal function <sup>(1)</sup>:**  
*Real estate project manager*
- Born on 18 June 1951
  - Director elected to a three-year term by BNP Paribas executive employees on 7 March 2006
  - First elected to the Board on: 14 December 1993
  - Number of BNP Paribas shares held <sup>(2)</sup>: 33
  - Office address:  
20, avenue Georges-Pompidou 92300 Levallois-Perret, France



Claude  
BÉBÉAR

- Principal function <sup>(1)</sup>:**  
*Honorary Chairman of AXA*
- Born on 29 July 1935
  - Elected on 23 May 2006. Term expires at the 2009 AGM
  - First elected to the Board on: 23 May 2000
  - Number of BNP Paribas shares held <sup>(2)</sup>: 3,074
  - Office address:  
25, avenue Matignon, 75008 Paris, France

Functions at 31 December 2008 <sup>(1)</sup>

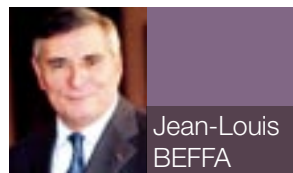
**Director of:**  
AXA Assurances Iard Mutuelle, AXA Assurances Vie Mutuelle

**Member of the Supervisory Board of:**  
Vivendi

**Non-voting director of:**  
Schneider Electric

**Chairman of:**  
IMS-Entreprendre pour la Cité, Institut Montaigne

**Member of:**  
International Advisory Panel of the Monetary Authority of Singapore



Jean-Louis  
BEFFA

- Principal function <sup>(1)</sup>:**  
Chairman of the Board of directors of Compagnie de Saint-Gobain
- Born on 11 August 1941
  - Elected on 23 May 2006. Term expires at the 2009 AGM
  - First elected to the Board on: 22 October 1986
  - Number of BNP Paribas shares held <sup>(2)</sup>: 13,986
  - Office address:  
"Les Miroirs"  
18, avenue d'Alsace 92096 La Défense Cedex, France

Functions at 31 December 2008 <sup>(1)</sup>

**Vice-Chairman of the Board of directors of:**  
BNP Paribas

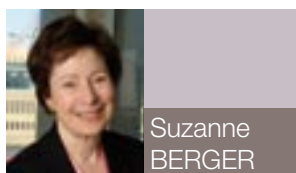
**Chairman of:**  
Claude Bernard Participations

**Director of:**  
GDF SUEZ, Groupe Bruxelles Lambert (Belgium) Saint-Gobain Corporation (United States)

**Member of the Supervisory Board of:**  
Siemens AG (Germany), Le Monde SA, Le Monde & Partenaires Associés (SAS), Société Éditrice du Monde

<sup>(1)</sup> Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.

<sup>(2)</sup> At 31 December 2008.



Suzanne  
BERGER

**Principal function<sup>(1)</sup> :**

*Professor of Political Science at the Massachusetts Institute of Technology, Cambridge, Massachusetts (USA) – Director of the MIT International Science and Technology Initiative (MISTI)*

- Born on 11 March 1939
- Elected on 21 May 2008. Term expires at the 2011 AGM
- First elected to the Board on: 8 March 2007
- Number of BNP Paribas shares held<sup>(2)</sup>: 250
- Office address:  
30, Wadsworth Street,  
E53-451 Cambridge,  
MA 02139-4307, USA

Functions at 31 December 2008<sup>(1)</sup>

**Member of:**

*American Academy of Arts and Sciences*

**Research associate and member of:**

*the Executive Committee of Center for European Studies at Harvard University.*



Jean-Marie  
GIANNO

**Principal function<sup>(1)</sup> :**

*Sales associate*

- Born on 7 September 1952
- Director elected to a three-year term by BNP Paribas employees on 7 March 2006
- First elected to the Board on: 15 March 2004  
(Jean-Marie Gianni was an employee representative on the Board of Banque Nationale de Paris from 1993 to 1999)
- Number of BNP Paribas shares held<sup>(2)</sup>: 10
- Office address:  
21, avenue Jean-Médecin  
06000 Nice – France

Functions at 31 December 2008<sup>(1)</sup>

**Member of:**

*Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI), "Confrontation" (a European "think tank")*



François  
GRAPPOTTE

**Principal function<sup>(1)</sup> :**

*Honorary Chairman of Legrand, Director of companies*

- Born on 21 April 1936
- Elected on 21 May 2008. Term expires at the 2011 AGM
- First elected to the Board on: 4 May 1999
- Number of BNP Paribas shares held<sup>(2)</sup>: 2,537
- Office address:  
128, avenue de-Lattre-de-Tassigny  
87045 Limoges, France

Functions at 31 December 2008<sup>(1)</sup>

**Director of:**

*Legrand, Legrand France*

**Member of the Supervisory Board of:**

*Michelin*



Alain  
JOLY

**Principal function<sup>(1)</sup> :**

*Director of Air Liquide*

- Born on 18 April 1938
- Elected on 23 May 2006. Term expires at the 2009 AGM
- First elected to the Board on: 28 June 1995
- Number of BNP Paribas shares held<sup>(2)</sup>: 5,227
- Office address:  
75, quai d'Orsay  
75007 Paris, France



Denis  
KESSLER

**Principal function<sup>(1)</sup> :**

*Chairman and Chief Executive Officer of Scor SE*

- Born on 25 March 1952
- Elected on 23 May 2006. Term expires at the 2009 AGM
- First elected to the Board on: 23 May 2000
- Number of BNP Paribas shares held<sup>(2)</sup>: 2,000
- Office address:  
1, avenue du Général-de-Gaulle  
92074 Paris-La Défense Cedex,  
France

Functions at 31 December 2008<sup>(1)</sup>

*Scor Group*

**Chairman of:**

*Scor Global P&C SE, Scor Global Life US Re Insurance Company (United States), Scor Global Life Re Insurance Company of Texas (United States), Scor Reinsurance Company (United States), Scor US Corporation (United States), Scor Holding (Switzerland) AG (Switzerland)*

**Chairman of Supervisory Board of:**

*Scor Global Investments SE*

**Director of:**

*Scor Global Life SE, Scor Canada Reinsurance Company (Canada)*

*Other functions*

**Director of:**

*Bolloré, Dassault Aviation, Dexia SA (Belgium), Fonds Stratégique d'Investissement, Invesco Ltd (United States)*

**Member of the Supervisory Board of:**

*Yam Invest NV (Netherlands)*

**Non-voting director of:**

*Financière Acofi SA, Gimar Finance & Cie SCA*

**Member of:**

*Commission Économique de la Nation, Conseil Économique et Social, Board of directors of Siècle, Association de Genève, Board of the French Foundation for Medical Research, Comité des Entreprises d'Assurance*

**Chairman of:**

*Board of directors of: Siècle, Cercle de l'Orchestre de Paris*

**Vice-Chairman of:**

*Reinsurance Advisory Board*

**Global Counsellor of:**

*Conference Board*



Jean-François  
LEPETIT

**Principal function<sup>(1)</sup> :**

*Chairman of Conseil national de la comptabilité*

- Born on 21 June 1942
- Elected on 21 May 2008. Term expires at the 2011 AGM
- First elected to the Board on: 5 May 2004
- Number of BNP Paribas shares held<sup>(2)</sup>: 7,500
- Office address:  
30, boulevard Diderot  
75572 Paris Cedex 12, France

Functions at 31 December 2008<sup>(1)</sup>

**Director of:**

*Smart Trade Technologies SA, Shan SA*

**Member of:**

*Board of the QFCRA – Qatar Financial Center Regulatory Authority – (Doha), Collège de l'Autorité des Marchés Financiers*



Laurence  
PARISOT

**Principal function<sup>(1)</sup> :**

*Vice-Chairman of the Board of directors of IFOP SA*

- Born on 31 August 1959
- Elected on 23 May 2006. Term expires at the 2009 AGM
- First elected to the Board on: 23 May 2006
- Number of BNP Paribas shares held<sup>(2)</sup>: 360
- Office address:  
6-8, rue Eugène-Oudiné  
75013 Paris, France

Functions at 31 December 2008<sup>(1)</sup>

**Chairman of:**

*Mouvement des Entreprises de France (MEDEF)*

**Director of:**

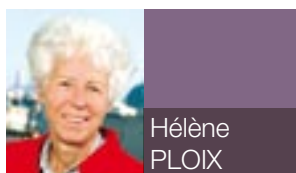
*Coface SA*

**Member of the Supervisory Board of:**

*Michelin*

<sup>(1)</sup> Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.

<sup>(2)</sup> At 31 December 2008.



Hélène  
PLOIX

**Principal function <sup>(1)</sup> :**

*Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS*

- Born on 25 September 1944
- Elected on 21 May 2008. Term expires at the 2011 AGM
- First elected to the Board on: 21 March 2003
- Number of BNP Paribas shares held <sup>(2)</sup> : 1,371
- Office address: 162, rue du Faubourg-Saint-Honoré 75008 Paris, France

Functions at 31 December 2008 <sup>(1)</sup>

**Director of:**

*Lafarge, Ferring SA (Switzerland), Completel NV (Netherlands)*

**Permanent representative:**

*Pechel Industries Partenaires in Ypso Holding (Luxembourg)*

**Member of the Supervisory Board of:**

*Publicis Groupe*

**Legal manager of:**

*Hélène Ploix SARL, Hélène Marie Joseph SARL, Sorepe Société Civile*

**Member of :**

*Investment Committee of the United Nations Staff Pension Fund*



Baudouin  
PROT

**Principal function <sup>(1)</sup> :**

*Director and Chief Executive Officer of BNP Paribas*

- Born on 24 May 1951
- Elected on 21 May 2008. Term expires at the 2011 AGM
- First elected to the Board on: 7 March 2000
- Number of BNP Paribas shares held <sup>(2)</sup> : 118,311
- Office address: 3, rue d'Antin 75002 Paris, France

Functions at 31 December 2008 <sup>(1)</sup>

**Director of:**

*Accor, Pinault-Printemps-Redoute, Veolia Environnement, Erbé SA (Belgium), Pargesa Holding SA (Switzerland)*

**Member of:**

*Executive Committee of Fédération Bancaire Française*



Louis  
SCHWEITZER

**Principal function <sup>(1)</sup> :**

*Chairman of the Board of directors of Renault*

- Born on 8 July 1942
- Elected on 15 May 2007. Terms expires at the 2010 AGM
- First elected to the Board on: 14 December 1993
- Number of BNP Paribas shares held <sup>(2)</sup> : 6,255
- Office address: 8-10, avenue Émile-Zola 92109 Boulogne-Billancourt Cedex, France

Functions at 31 December 2008 <sup>(1)</sup>

**Chairman of the Board of directors of:**

*AstraZeneca Plc (United Kingdom)*

**Chairman of the Supervisory Board of:**

*Le Monde & Partenaires Associés (SAS), Le Monde SA, Société Editrice du Monde*

**Director of:**

*L'Oréal, Veolia Environnement, AB Volvo (Sweden)*

**Chairman of:**

*Haute Autorité de lutte contre les discriminations et pour l'égalité (Halde)*

**Member of the Advisory Committee:**

*Banque de France, Allianz (Germany)*

**Member of the Board:**

*Fondation Nationale des Sciences Politiques, Institut Français des Relations Internationales, Musée du Quai Branly*



Daniela  
WEBER-REY

**Principal function <sup>(1)</sup> :**

*Partner at Clifford Chance, Frankfurt*

- Born on 18 November 1957
- Elected on 21 May 2008. Term expires at the 2011 AGM
- First elected to the Board on: 21 May 2008
- Number of BNP Paribas shares held <sup>(2)</sup> : 850
- Office address: Mainzer Landstrasse 46 D 60325 – Frankfurt-am-Main, Germany

Functions at 31 December 2008 <sup>(1)</sup>

**Member:**

*Advisory group on corporate governance and company law of the European Commission, Expert Group on "Removing obstacles to cross-border investments" of the European Commission, German Government Commission on the German Corporate Governance Code*

## Other corporate officers

Jean-Laurent  
BONNAFÉ

**Principal function <sup>(1)</sup> :**

*Chief Operating Officer of BNP Paribas*

- Born on 14 July 1961
- Number of BNP Paribas shares held <sup>(2)</sup> : 12,853
- Office address: 3, rue d'Antin 75002 Paris, France

Functions at 31 December 2008 <sup>(1)</sup>

**Director of:**

*Carrefour, BNP Paribas Personal Finance, Banca Nazionale del Lavoro (Italy)*

Georges  
CHODRON DE COURCEL

**Principal function <sup>(1)</sup> :**

*Chief Operating Officer of BNP Paribas*

- Born on 20 May 1950
- Number of BNP Paribas shares held <sup>(2)</sup> : 70,050
- Office address: 3, rue d'Antin 75002 Paris, France

Functions at 31 December 2008 <sup>(1)</sup>

**Chairman of:**

*Compagnie d'Investissement de Paris SAS, Financière BNP Paribas SAS, BNP Paribas Suisse SA (Switzerland)*

**Director of:**

*Alstom, Bouygues, Société Foncière, Financière et de Participations SA, Nexans, BNP Paribas ZAO (Russia), Erbé SA (Belgium), Scor Holding (Switzerland) AG (Switzerland), Verner Investissements SAS*

**Member of the Supervisory Board of:**

*Lagardère SCA*

**Non-voting director of:**

*Exane, Safran, Scor SA*

<sup>(1)</sup> Directorships and other functions shown in italics are not governed by the provisions of Act no. 2001-401 of 15 May 2001 concerning multiple directorships.  
<sup>(2)</sup> At 31 December 2008.



# Report of the Chairman

of the Board of directors  
on the conditions for the  
preparation and organisation  
of the work of the Board  
and on internal control  
procedures implemented  
by BNP Paribas

## Corporate governance at BNP Paribas

The following information has been prepared in accordance with article L. 225-37, as amended <sup>(1)</sup>, of the French Commercial Code and with article L. 621-18-3 of the French Monetary and Financial Code.

It makes reference to the General Regulation of the AMF (the French Financial Markets Authority), notably article 229-9-11, and, if appropriate, to Appendix 1 of European Commission Regulation no. 809/2004 of 29 April 2004 as well as to the "Guide to Preparing Registration Documents" published on 27 January 2006 by the AMF, to the Act of 3 July 2008 containing various measures adapting company law to Community law and to the AMF report of 27 November 2008 on corporate governance and internal control procedures.

In preparing the Chairman's report, the Board of directors of BNP Paribas had voluntarily decided to make reference to the corporate governance code for listed companies of December 2008, which is the result of the consolidation of the report of the French employers' organisations AFEP (Association Française des Entreprises Privées) and MEDEF (Mouvement des Entreprises de France) of October 2003 and of their recommendations of January 2007 and October 2008 on the compensation of corporate officers. This decision was published on 6 November 2008.

This report also refers, where appropriate and for information purposes, to the document entitled "Enhancing Corporate Governance for Banking Organisations" published in February 2006 by the Basel Committee on Banking Supervision.

### Conditions for the preparation and organisation of the work of the Board

#### ■ The Board of directors' internal rules

- The Internal Rules define and determine conditions for the preparation and organisation of the work of the Board <sup>(2)</sup>.

These rules were adopted in 1997 by the Board of the former BNP and are regularly updated to comply with legal requirements, regulations and French corporate governance guidelines and to keep pace with corporate governance best practices recognised as being in the best interests of both shareholders and the Bank.

- The Internal Rules set out the terms of reference of the Board of directors; they describe the manner in which meetings are organised and the procedures for informing directors and for carrying out the periodic assessment of the Board's performance. They describe the terms of reference of the various Committees of the Board, their composition, the manner in which they function and the conditions relating to the payment of directors' fees. They provide guidelines concerning the conduct expected of a director of BNP Paribas. Key extracts of the Internal Rules are provided in this report in the various sections to which they relate.
- According to the Internal Rules, the Board of directors is a collegial body <sup>(3)</sup> that collectively represents all shareholders and acts at all times in the corporate interests of the Bank. It is tasked with monitoring its own composition and effectiveness in advancing the Bank's interests and carrying out its duties.
- Based on proposals submitted by the Chief Executive Officer, the Board formulates BNP Paribas' business strategy and oversees its implementation. It examines any and all issues related to the efficient running of the business, and makes any and all business decisions within its remit.
- It may decide to either combine or separate the functions of Chairman and Chief Executive Officer <sup>(4)</sup>. It appoints corporate officers. It proposes the appointment of directors for three-year terms. It may decide to limit the powers of the Chief Executive Officer. It approves the draft of the Chairman's report.

<sup>(1)</sup> Amended by article 26 of Act no. 2008-649 of 3 July 2008 containing various provisions adapting company law to Community law.

<sup>(2)</sup> AMF: Guide to Preparing Registration Documents: interpretation no. 3.

<sup>(3)</sup> AFEP-MEDEF Corporate Governance Code (point 1).

<sup>(4)</sup> AFEP-MEDEF Corporate Governance Code (point 3).

- The Board or one or more of its directors or Committees, or a specific Committee authorised by the Board, may perform any or all controls and verifications that it considers appropriate, supervise the management of the business and the fairness of its accounts, review and approve the financial statements and ensure that the financial information disclosed to the shareholders and the markets is of high quality <sup>(5)</sup>.

#### ■ Separation of the functions of Chairman and Chief Executive Officer

- At the Annual General Meeting held on 14 May 2003, the Chairman announced the Board's intention to separate the functions of Chairman and Chief Executive Officer within BNP Paribas. This decision brought the Group into line with corporate governance best practice, while at the same time ensuring a smooth and transparent handover of the Chief Executive role.
- The Chairman organises and directs the work of the Board, and ensures that the corporate decision-making bodies of BNP Paribas operate effectively. Working closely with Executive Management, he is competent to represent the Group in high-level dealings with, for example, major clients and government authorities both domestically and internationally. He has no executive responsibilities.
- The Chief Executive Officer has the broadest powers to act in the Bank's name in all circumstances (see limitation of the powers of the Chief Executive Officer on p. 141). He has authority over the entire Group, including Heads of core businesses, business lines, territories and Group functions. He is also responsible for internal control systems and procedures, and for all the statutory information in the report on internal control.

#### ■ The Board of directors and Annual General Meetings

- The organisation and conduct of Annual General Meetings are described in the "Shareholder information" section of the Registration document.
- Based on proposals submitted by the Board of directors, the Annual General Meeting of 21 May 2008 re-elected Suzanne Berger Keniston, François Grappotte, Jean-François Lepetit, Hélène Ploix and Baudouin Prot as directors and approved the appointment of Daniela Weber-Rey to the Board. All of the directors attended this meeting.

#### ■ Membership of the BNP Paribas Board of directors

- Following the Annual General Meeting of 21 May 2008, the Board of directors had fifteen members, of which thirteen were elected by shareholders and two by employees. Board membership details are provided in section 2.1. of the Reference Document.

#### Independence of directors

- Following a review of the directors' personal circumstances carried out by the Corporate Governance and Nominations Committee, the Board considers that the following nine directors qualify as independent under French corporate governance guidelines: Claude Bébéar, Suzanne Berger Keniston, François Grappotte, Alain Joly, Denis Kessler, Jean-François Lepetit, Laurence Parisot, Hélène Ploix and Daniela Weber-Rey. Based on its own assessment, the Board of directors did not consider, when it proposed his re-election to the Board to the Annual General Meeting of May 15, 2007, that the criterion concerning the loss of independence of a director who has served for more than twelve years to be relevant to the person of Louis Schweitzer.

<sup>(5)</sup> AFEP-MEDEF Corporate Governance Code (point 2).

- Three of the directors elected by the shareholders – Michel Pébereau, non-executive Chairman of the Board, Baudouin Prot, Chief Executive Officer, and Jean-Louis Beffa – do not qualify as independent under the guidelines.
- The two employee representatives on the Board, Patrick Auguste and Jean-Marie Gianni, do not qualify as independent under the guidelines, despite their status and the method by which they were elected, which safeguards their independence.
- The independence of directors is measured against the definition given by the AFEP-MEDEF Corporate Governance Code: “A director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management of either that is such as to colour his or her judgment.”
- Except for some of the directors who are BNP Paribas employees, the members of the Board have declared – as part of the implementation of International Accounting Standards IAS 24 – that they have no financial relationship with BNP Paribas SA or any Group company.
- The Board of directors’ Internal Rules set out a certain number of rules of conduct applicable to directors, listed below under section 5 “Corporate Governance”. They are intended to promote directors’ independence and responsibility in discharging their duties.

The following table presents the situation of each director with regard to the independence criteria recommended in the AFEP-MEDEF Corporate Governance Code:

	1 <sup>st</sup> criterion	2 <sup>nd</sup> criterion	3 <sup>rd</sup> criterion	4 <sup>th</sup> criterion	5 <sup>th</sup> criterion	6 <sup>th</sup> criterion	7 <sup>th</sup> criterion
M. Pébereau	x	o	o	o	o	x	o
P. Auguste	x	o	o	o	o	x	o
C. Bébéar	o	o	o	o	o	o	o
J.-L. Beffa	o	x	o	o	o	x	o
S. Berger	o	o	o	o	o	o	o
J.-M. Gianni	x	o	o	o	o	o	o
F. Grappotte	o	o	o	o	o	o	o
A. Joly	o	o	o	o	o	o (*)	o
D. Kessler	o	o	o	o	o	o	o
J.-F. Lepetit	o	o	o	o	o	o	o
L. Parisot	o	o	o	o	o	o	o
H. Ploix	o	o	o	o	o	o	o
B. Prot	x	o	o	o	o	o	o
L. Schweitzer	o	o	o	o	o	x (**)	o

“o” compliance with independence criterion defined by AFEP-MEDEF.

“x” non-compliance with independence criterion defined by AFEP-MEDEF.

1<sup>st</sup> criterion: Not an employee or corporate officer of the corporation within the previous five years.

2<sup>nd</sup> criterion: No issue of corporate offices held in another corporation.

3<sup>rd</sup> criterion: No material business relationships.

4<sup>th</sup> criterion: No family ties to a corporate officer.

5<sup>th</sup> criterion: Not an auditor of the corporation within the previous five years.

6<sup>th</sup> criterion: Not a director of the corporation for more than twelve years.

7<sup>th</sup> criterion: No issue related to control by a major shareholder.

(\*) This criterion will apply only upon expiry of the term of office during which the 12-year limit is reached – AFEP-MEDEF Code.

(\*\*) Refer to previous comment in section 1 – “Membership of the BNP Paribas Board of directors”.

## ■ Work of the Board and its Committees in 2008

- In 2008, the Board held thirteen meetings, including 6 specially convened meetings (estimated results at 31 December 2007, Global Share-Based Incentive Plan for 2008, changes in Executive Management, Fortis acquisition project). The average attendance rate at Board meetings was 90%.
- The Financial Statements Committee met five times and the rate of attendance was 100%.
- The Internal Control, Risk Management and Compliance Committee met five times with an attendance rate of 93%.
- The Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee held a joint meeting at which all the respective committee members were present.
- The Corporate Governance and Nominations Committee met three times with an attendance rate of 78%.
- The Compensation Committee met five times with an attendance rate of 87%.

### Attendance at meetings of the board and its committees in 2008

Director	Board meetings		Committee meetings		All meetings		
	1	2	1	2	1	2	3
M. Pébureau	13	13			13	13	100%
P. Auguste	12	13	5	5	17	18	94%
C. Bébéar	12	13	1	3	13	16	81%
J.-L. Beffa	10	13	3	5	13	18	72%
S. Berger (*)	9	13			9	13	69%
J.-M. Gianno	12	13	4	5	16	18	89%
F. Grappotte	13	13	10	10	23	23	100%
A. Joly	12	13	5	5	17	18	94%
D. Kessler	12	13	5	5	17	18	94%
J.-F. Lepetit	13	13	5	5	18	18	100%
L. Parisot	8	13	3	3	11	16	68%
H. Ploix	13	13	5	5	18	18	100%
B. Prot	13	13			13	13	100%
L. Schweitzer	13	13	5	5	18	18	100%
D. Weber-Rey (*)	6	7			6	7	85%
<b>Average</b>		<b>90%</b>		<b>91%</b>			

The first column shows the number of meetings attended.

The second column shows the total number of meetings held during the year.

The third column shows the individual attendance rates.

(\*) Daniela Weber-Rey was appointed by the Annual General Meeting held on 21 May 2008.

**Extracts from the Board of directors' Internal Rules:  
terms of reference of the Board of directors**

*"The Board of directors is a collegial body that collectively represents all shareholders and acts at all times in the corporate interests of the Bank.*

*It is tasked with monitoring its own composition and effectiveness in advancing the Bank's interests and carrying out its duties.*

*Toward these ends:*

*Based on proposals submitted by the Chief Executive Officer, it draws up the BNP Paribas business strategy and monitors its implementation.*

*It examines any and all issues related to the efficient running of the business, and makes any and all business decisions within its remit.*

*It may decide to either combine or separate the functions of Chairman and Chief Executive Officer.*

*It appoints corporate officers for three-year terms.*

*It may decide to limit the powers of the Chief Executive Officer.*

*It approves the draft of the Chairman's report presented along with the management report.*

*The Board or one or more of its directors or Committees, or a specific Committee authorised by the Board, may perform any or all controls and verifications that it considers appropriate, supervise the management of the business and the fairness of its*

*accounts, review and approve the financial statements and ensure that the financial information disclosed to the shareholders and the markets is of high quality.*

*The Chairman - or the Chief Executive Officer if the functions have been separated - submits for review by the Board, at least once a year, drafts of the budget, of the management report and of the various reports required under applicable laws and regulations.*

*The Chief Executive Officer is required to submit to the Board for prior approval any investment or divestment decision (excluding portfolio transactions) of more than EUR 250 million, and any proposed acquisition or divestment of equity interests of more than EUR 250 million. The Chief Executive Officer also regularly informs the Board of material transactions which fall below the EUR 250 million threshold.*

*Any material strategic operation which lies outside the approved business strategy must be submitted to the Board for prior approval.*

*When the Board of directors grants the Chairman – or the Chief Executive Officer if the functions have been separated – the authority to issue debt securities as well as share and share equivalents, the holder of this authority is required to report to the Board, at least once a year, on the issuance of these securities."*



### **Extracts from the Board of directors' Internal Rules: the Chairman of the Board**

*"Barring exceptional circumstances, only the Chairman may speak and act in the Board's name in conducting relations with other BNP Paribas management bodies and with outside parties, other than in cases where a specific assignment or function has been entrusted to another director.*

*Working closely with Executive Management, he is competent to represent the Group in high-level dealings with, for example, major clients and government authorities both domestically and internationally.*

*He monitors relations with shareholders, in close cooperation with the work of Executive Management in this area, to guarantee that these relations remain of a high quality.*

*He ensures that principles of corporate governance are defined and implemented at the highest levels.*

*He oversees the smooth running of BNP Paribas' management bodies.*

*With the help of the Corporate Governance and Nominations Committee, and subject to approval by the Board and by the Annual General Meeting, he endeavours to build an effective and balanced Board, and to manage replacement and succession processes that concern the Board and the nominations within its remit.*

*He organises the work of the Board of directors. He sets the timetable and agenda of Board meetings and calls them.*

*He ensures that the work of the Board is well organised, in a manner conducive to constructive discussion and decision-making. He facilitates the work of the Board and coordinates its activities with those of the specialised Committees.*

*He sees to it that the Board devotes an appropriate amount of time to issues relating to the future of the Bank, particularly its strategy.*

*He ensures that directors from outside the Bank get to know the Management team thoroughly.*

*He ensures that he maintains a close relationship based on trust with the Chief Executive Officer, to whom he provides*

*help and advice while respecting his executive responsibilities.*

*The Chairman directs the work of the Board, to give it the means of exercising all the responsibilities which fall within its remit.*

*He ensures that the Board is provided in a timely fashion with the information it needs to carry out its duties and that this information is clearly and appropriately presented.*

*The Chairman is regularly informed by the Chief Executive Officer and other members of the Executive Management team of significant events and situations in the life of the Group, particularly those relating to strategy, organisation, investment or disinvestment projects, financial transactions, risks or the financial statements.*

*The Chief Executive Officer provides the Chairman with all information required under French law regarding the internal control report.*

*The Chairman may ask the Chief Executive Officer for any information that may help the Board and its Committees fulfil their duties.*

*He may interview the Statutory Auditors in order to prepare the work of the Board and the Financial Statements Committee.*

*He ensures that the directors are in a position to fulfil their duties, and in particular that they have the information they need to take part in the work of the Board, and that they can count on appropriate cooperation from the Bank's management in conducting the activities of the specialised Committees.*

*He also ensures that directors participate effectively in the work of the Board, with satisfactory attendance, competence and loyalty.*

*He reports, in a document submitted alongside the management report, on the preparation and organisation of the work of the Board, as well as on the Bank's internal control procedures and any limits the Board may have decided to place on the Chief Executive Officer's authority."*

## Strategy

Based on proposals submitted by Executive Management, the key elements of which are presented following a documented in-house process, the Board of directors formulates BNP Paribas' strategy and overall business objectives <sup>(1)</sup>. It examines and decides on strategic operations in accordance with its Internal Rules <sup>(2)</sup>; it oversees the implementation of the objectives it has approved, particularly in the course of discussions on the financial statements and budgets. The Board is also kept regularly informed of the Group's cash position and ongoing commitments <sup>(3)</sup>.

In 2008, the Board spent considerable time analysing the consequences of the financial crisis and defining the necessary steps and adaptations in operational, capital management, liquidity, risk control and cost control. As in previous years, the Board met in a strategy seminar where each of these subjects were further examined and approved of the proposed principles for the entire group and for each of its core businesses.

A number of investment projects <sup>(4)</sup> were examined during Board meetings, including a project to acquire control of the business of Fortis in Belgium and in Luxembourg as well as its international banking activities. The Board was not called upon to deliberate on any strategic operation that was not in line with approved strategic objectives and would as such have required its prior approval in accordance with the Internal Rules <sup>(5)</sup>. The Board reviewed the reorganisation of some of the Group's businesses, in particular in the field of consumer lending in Europe.

- The Board reviewed the negotiations and implementation of investment projects that it had previously discussed or validated. In particular, it was kept regularly informed of progress concerning the acquisition of control over the business of Fortis which it examined during five successive meetings, including two specially convened meetings.
- It was briefed several times on the findings of a comparison of the performance of its core businesses with those of its main competitors.
- On 1 July 2008, the board approved of a key change in Executive Management aimed at grouping together, as of 1 September 2008, all retail banking business under a sole line of responsibility. On 16 December 2008, it also approved of the measures implemented in the Corporate and Investment Banking business due to the extremely unfavourable market conditions and of a durably difficult context.

## Internal control, risk management and compliance

As early as 1994, the Board of directors recognised the key importance of risk management and internal control <sup>(6)</sup> in the banking sector when it set up an Internal Control and Risk Management Committee, thus splitting the work normally carried out by the Audit Committee between this newly-formed committee and the Financial Statements Committee. In 2007, the Board extended the remit of the Internal Control and Risk Management Committee to include all matters relating to compliance policy that may impact on reputation risk and professional ethics. The Internal Control, Risk Management and Compliance Committee acts independently and on a complementary basis to the Financial Statements Committee which oversees matters in connection with the preparation and control accounting and financial information. The Internal Control, Risk Management and Compliance Committee and the Financial Statements Committee hold a joint meeting at least once a year in order to discuss matters affecting both risk management policy and the provisions to be set aside in the books of BNP Paribas. The membership of these two Committees and the work that they carry out in the field of internal control, risk manage-

<sup>(1)</sup> The strategic vocation of the Group is the very first principle of sound corporate governance identified by the Basel Committee (February 2006). It is also emphasised in the 2008 AFEP-MEDEF Corporate Governance Code (point 4).

<sup>(2)</sup> AFEP-MEDEF Corporate Governance Code (point 4).

<sup>(3)</sup> AFEP-MEDEF Corporate Governance Code (point 4).

<sup>(4)</sup> The Internal Rules of the Board of directors specify that the Board's prior approval is required for any investment or divestment project of more than EUR 250 million.

<sup>(5)</sup> AFEP-MEDEF Corporate Governance Code (point 4).

<sup>(6)</sup> "Board of directors approves (...) the overall risk policy and risk management procedures (...) meet regularly with senior management and internal audit to review policies...". Enhancing corporate governance for banking organisations – 1st principle – February 2006.

ment and compliance and in that of internal control procedures for the preparation and processing of accounting and financial information are designed to meet the stringent regulatory requirements in the banking and prudential fields. These include both the measures imposed by external regulators and BNP Paribas' own requirements regarding the quality of its internal control processes and risk management policy <sup>(1)</sup>.

In 2008, the Board reviewed the report of the Internal Control, Risk Management and Compliance Committee, drafted based on information provided by Executive Management, and examined the following issues:

- it was regularly updated on and discussed developments concerning the financial crisis that began in the summer of 2007, which was amplified throughout the year 2008 and worsened when Lehman Brothers went into bankruptcy;
- the Board was informed of the Group's overall policy in the area of credit risk, market risk and counterparty risk. At the initiative of Executive Management, it decided to adapt the Value-at-Risk" (VaR) limit it had previously authorised to market conditions. It was informed of the result of the risk measurements as well as of the crisis situation simulation methods;
- the Board was informed of the breakdown of the Bank's commitments by industry and by geographic area, as well as of the concentration of individual major risks with respect to applicable capital-adequacy requirements. It was regularly briefed on the Bank's exposure in the sectors most affected by the financial crisis. Over the course of the summer, it was presented a comparison by Executive Management of crisis-specific adjustments by several international banks;
- the Board was regularly informed of the situation on liquidity markets and kept abreast of the measures taken by BNP Paribas to bolster its financing base and security;
- the Board was briefed on deliverables of the internal control function and the resources placed at its disposal. It was provided with draft reports for the year ended 31 December 2007 on measuring and monitoring of risks, compliance, permanent controls and periodic controls. It was informed of the progress made on measures taken by Executive Management so as to review the processes intended to ensure the control and security of market transactions;
- the Board approved changes made to Executive Management so as to heighten the coordination of internal control procedures;
- the Board heard the Chairman of the Internal Control, Risk Management and Compliance Committee on the findings of periodic controls reported by the General Inspection unit and on the follow-up to recommendations previously issued as well as on the permanent control reporting. It adopted a project, in accordance with CRBF Regulation no. 97-02 and the Internal Audit Charter, leading to centralising the periodic control of several subsidiaries within the Group's periodic control system;
- the Board was informed of the joint work of the Financial Statements Committee and of the Internal Control, Risk Management and Compliance Committee on the management and accounting treatment of the counterparty risk on financial instruments, on the main risks resulting from the financial crisis and on the principles of the operation of conduits;
- the Board heard the report, presented by the Chairman of the Internal Control, Risk Management and Compliance Committee, of the interviews conducted by it without any member of Executive Management being present, of the Head of the General Inspection unit, who is in charge of period controls, the Head of permanent control and compliance, of Asset and Liabilities Management and the Head of Group Risk Management, whose remit covers the Group's global risk policy;

<sup>(1)</sup> Code de gouvernement d'entreprise Afep-Medef (point 2).

- it heard briefings from the Chairman of the Internal Control, Risk Management and Compliance Committee on the relations and exchange of correspondence with regulators, in France and abroad, as reported by Executive Management;
- reports on the meetings of the Internal Control, Risk Management and Compliance Committee are made to directors during the first Board meeting following their approval by the Committee.

### **Budget, financial statements and results, financial management and communications**

- **Budget.** As is customary, at its last meeting of the year, the Board reviewed and approved the draft budget for 2009 presented by Executive Management for the Group as a whole as well as its core businesses and major business lines. At this meeting, the Board also discussed the economic and financial context in which this budget will be implemented.
- **Financial statements and results.** The results and financial statements of the Group and of BNP Paribas SA for fourth quarter 2007, the first three quarters of 2008, for the first half and first nine months of 2008, presented by Executive Management, were reviewed and approved as required by the Board. Its work covered the entire consolidated Group as well as each of its core businesses and major business lines.

The Board was informed of the findings of the Financial Statements Committee and the Group's three Statutory Auditors <sup>(1)</sup> – who are entitled to attend Board meetings held to review the results and financial statements – concerning the results for the period.

Based on the report submitted jointly by the Statutory Auditors and Executive Management, it reviewed and approved the key choices made concerning the application of accounting standards. It was informed, on that basis, of the application made by the Bank, in preparing its financial statements at 30 September 2008, of clarification amendments to the accounting rules issued by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB), as well as of its decision not to apply the amendment to IAS 39 to the 3rd quarter of 2008.

The Board was regularly informed of the direct and indirect impact of the financial crisis on the revenues and cost of risk of BNP Paribas.

The Board was also briefed by the Financial Statements Committee – which examined the information presented to it by Executive Management – on the key internal control audit points raised by Group entities as part of the certification process aimed at ensuring the reliability of the consolidation reporting package.

The Board heard the report, presented by the Chairman of the Financial Statements Committee, of the interviews conducted without any member of Executive Management, Statutory Auditors or the Head of the Group Finance-Development Department being present.

- **Financial management.** The Board was informed of the methodological principles followed in determining the Tier 1 ratio under Basel II standards. It was regularly briefed on issues of debt instruments, possible share buybacks and the profitability trends in new lending. It approved profit distribution policy and the draft resolution concerning the dividend for the year ended 31 December 2007.

The Board was briefed on the provisions of the agreement on the subscription of subordinated notes by the State. It approved of the commitment made by the Bank not to carry out share buybacks during period of holding of the notes subscribed by the State, except for buybacks so as to comply with the employee share ownership plan and transactions in the normal course of business.

<sup>(1)</sup> The firms of Deloitte & Associés, Mazars, and PricewaterhouseCoopers Audit were appointed by the Annual General Meeting for the period 2006-2011, based on a proposal by the Board of directors.

- **Financial communication** <sup>(1)</sup>. The Board also approved, at each meeting devoted to results, draft press releases. It noted the application of the recommendations of the Financial Stability Forum (FSF) on information on sensitive exposure. The Board approved of the draft report of the Board of directors for 2007 integrating French corporate governance guidelines on off-balance sheet commitments and on risks as well as the Chairman's report on internal control procedures on the preparation and processing of accounting and financial information.

### Corporate Governance

#### ■ Assessment of the performance of the Board of directors in 2008

- For the seventh consecutive year an assessment of the performance of the BNP Paribas Board of directors and of its specialised Committees was carried out <sup>(2)</sup>.
- As in previous years, the methodology employed was self-evaluation based on an anonymous survey dealing with overall processes and the various aspects of the Board's work – strategy, internal control and risk management, financial management, compensation – and with the operation of its four Committees (Financial Statements; Internal Control, Risk Management and Compliance; Corporate Governance and Nominations; Compensation). The directors were invited to make proposals for improvement of each of these topics. This survey was accompanied by a summary of the survey carried out by AFEP in November 2008 on the 2007 annual reports, so as to enable directors to assess by comparison the way in which BNP Paribas reports on the application of AFEP-MEDEF's corporate government guidelines.
- The directors expressed satisfaction with the Board's work. They also stressed the relevance of the topics discussed, the quality of information received by Board members and the freedom with which

issues could be debated. They also stressed the competence of the members of the Board's Committees as well as the quality of the reports submitted on their work. Suggestions for improvement mainly concerned deepening the analyses already carried out by the Board on market and liquidity risks and on operational risks, as well as on the integration in the strategic thought process of the lessons to be progressively learnt from the upheavals caused by the financial crisis in terms of the stakes involved and opportunities provided to the Group.

#### ■ Follow-up on the 2007 assessment of the performance of the Board of directors

Suggestions for improvement made by directors, in particular concerning a broader range of comparative data for use in the strategic thought process and deepening the analyses already carried out by the Board in the area of risk management, were implemented. The Board received several briefings during 2008 on the comparative performance of the core businesses of BNP Paribas with that of their main competitors. Much of the Board's work focused on issues in connection with risks, notably market risks, liquidity risks and operational risks. The Internal Control, Risk Management and Compliance Committee met five times to report to the Board on developments of the financial crisis and on its consequences on the business of BNP Paribas. The reports presented to the Chairman of the Committee systematically contained a section devoted to the Group's exposure and a section devoted to the liquidity of markets and to the position of BNP Paribas. Management of risk and of liquidity was a topic examined by the Board during a strategic seminar held in 2008.

#### ■ Evaluation of Directors' performance - Changes in membership of the Board

Based on the report made to the Board by the Corporate Governance and Nominations Committee, on its review of

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 2). The Bank's ratings from financial rating agencies are provided at the beginning of this Registration Document.

<sup>(2)</sup> AMF "Guide to Preparing Registration Documents" (January 2006). AFEP-MEDEF Corporate Governance Code (point 9).



the situation of each director in terms of their independence of spirit, freedom in discussing issues and sense of responsibility towards shareholders and other stakeholders of the Group<sup>(1)</sup>, the Board ascertained that it had, based on its membership and on the personality of its directors, the competencies, experience and diversity of viewpoints required to perform its duties. After discussions concerning the personal implication of and contribution to the work and discussions of the Board made by Suzanne Berger, Hélène Ploix, François Grappotte and Jean-François Lepetit, and analysed the independence of their four directors in view of the criteria adopted in the AFEP-MEDEF recommendations, the Board proposed that the Annual General Meeting adopt a resolution renewing their term of office for a term of three years. It also proposed the renewal of the term of office of Baudouin Prot after having conducted a performance evaluation of the Chief Executive Officer. Lastly, the Board submitted a resolution to the Annual General Meeting appointing Daniela Weber-Rey as a director of BNP Paribas as of 21 May 2008.

#### ■ Procedure for selecting directors <sup>(2)</sup>

The procedure for recruiting directors, in accordance with the criteria defined by the Board, is based on information and assessments provided by the members of the Corporate Governance and Nominations Committee and the Chairman of the Board. This ensures that successful candidates have the personal and professional qualities required to carry out the function of director at BNP Paribas.

#### ■ Evaluation of the Chairman's performance - Evaluation of the performance of the Chief Executive Officer and of the Chief Operating Officers – Changes in Executive Management <sup>(3)</sup>

In accordance with the decision taken at the end of 2007, the Board set aside part of a Board meeting in 2008 to evaluate the performance of the Chairman, of the Chief Executive Officer and of the Chief Operating Officers<sup>(4)</sup>. The Board heard the Chairman's report on the efforts by the Chief Executive Officer and the Chief Operating Officers to develop the Bank and improve its operational efficiency in 2007. In the absence of Michel Pébereau, the Board carried out a performance review of the Chairman of the Board of directors. At the request of Baudouin Prot and at the initiative of the Corporate Governance and Nominations Committee, Jean-Laurent Bonnafé was appointed Chief Operating Officer in replacement of Jean Clamon, effective as of 1 September 2008; it also approved various appointments and the resulting membership of the Executive Committee.

#### ■ Compliance with European Commission Regulation EC 809/2004

- To the best of the Board's knowledge, no directors are faced with conflicts of interest; in any event, the Board of directors' Internal Rules require that they "inform the Board of any situation involving even a potential conflict of interest" and "abstain from taking part in the vote on the matter concerned". To the best of the Board's knowledge, there are no family ties between Board members.
- To the best of the Board's knowledge, none of its members has been convicted of fraudulent offences "*for at least the previous five years*", nor was involved in any bankruptcies, receiverships or liquidations while acting as a member of administrative, management or supervisory bodies, or as Chief Executive Officer, "*for at least the previous five years*".
- To the best of the Board's knowledge, there have been no "*official public incrimination and/or sanctions*" of members of the Board of Directors or of the Chief Executive Officer, none of whom have been disqualified by a court from acting in their current capacity, "*for at least the previous five years*".

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (points 6 and 8).

<sup>(2)</sup> AFEP-MEDEF Corporate Governance Code (point 12).

<sup>(3)</sup> AFEP-MEDEF Corporate Governance Code (point 6).

<sup>(4)</sup> AFEP-MEDEF Corporate Governance Code (point 9).

- Apart from regulated agreements, there are no arrangements or agreements with key shareholders, clients, suppliers or any other parties which involve the appointment of a member of the Board of directors.

■ **Implementation of AFEP-MEDEF Corporate Governance Code for Listed Companies**

The Board of directors decided to implement the recommendations made by AFEP and MEDEF dated 6 October 2008 on the compensation of corporate officers of listed companies and, more generally, to confirm that all of those recommendations comprise the Corporate Governance Code referred to by BNP Paribas.

Reports ascertaining the application of such recommendations as regards the compensation of corporate officers are featured in note 8.d to the consolidated financial statements. The Board has made known its intent to apply the recommendations concerning option grants to any option plan it may decide to implement in 2009. As regards the provisions concerning termination of employment contracts, the Board observed that the Chairman did not have an employment contract. It decided to terminate the employment contract of the Chief Executive Officer before renewing his term of office, which was made prior to 6 October 2008, in accordance with the AFEP-MEDEF recommendations published on that date.

The Board approved the Chairman's report on the conditions for the preparation and organisation of the Board's work and the internal control procedures implemented by the Bank.

■ **Directors' access to information and initial training <sup>(1)</sup>**

- In accordance with the Board's Internal Rules, directors may request that the Chairman of the Board or the Chief Executive Officer provide them with all documents and information required to enable them to carry out their functions, participate effectively in Board meetings and make informed decisions, provided that such documents are useful for decision-making purposes and related to the Board's authority.
- Directors have free access to the reports of all Board meetings.
- Committee meetings also provide opportunities to update the information available to directors on specific issues related to the items on the agenda. The Board is also kept informed of developments in regulatory guidelines on corporate governance, in particular in the field of banking industry. At the last Board meeting in 2008, directors were briefed on the periods in 2009 during which they are authorised to trade in BNP Paribas shares, barring exceptional circumstances.
- When directors take up their appointment, they are provided with written documentation describing the Group, its profile and organisation, its most recent financial statements and a series of pointers on the information available from the Group's websites. The Board's support staff provides the new director with a copy of the Internal Rules and organises a number of working meetings between the new directors and managers of Group functional and operating units that are of interest to the new directors in light of their functions and personal priorities.

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 11).

#### ■ Code of ethics applicable to directors <sup>(1)</sup>

- According to the Internal Rules, "(...) directors shall interact effectively with others in the workplace and respect their opinions, and shall express themselves freely on subjects debated in Board meetings, even in the face of opposition".
- "They shall have a strong sense of responsibility towards shareholders and other stakeholders."
- "They shall show a high level of personal integrity during the term of their office, and respect the rules related to their responsibilities."
- "In the event of a significant change in the functions or positions held, directors agree to allow the Board to decide whether or not it is appropriate for them to continue to serve as directors of BNP Paribas."
- "All directors are required to comply with legal obligations and the stock market recommendations and regulations related to information that concerns directors personally."
- "Any director of American nationality must choose not to participate in certain Board discussions in view of the regulatory obligations pertaining to his or her nationality."
- "The legislation banning insider trading applies to directors both in a personal capacity and when exercising responsibilities within companies that hold shares in BNP Paribas. Directors are also advised to purchase or sell BNP Paribas shares only within the six-week period following the publication of the quarterly and annual accounts, or of any press release concerning business performance. However, if they have access to privileged information that would make them insiders under stock exchange rules, no BNP Paribas shares may be purchased or sold during this six-week period."
- "Directors must not disclose any information that is not publicly available to any third party, including the managers of BNP Paribas shares."
- "If a director has any questions related to ethics and compliance, he or she can consult the Head of the Group Compliance and Permanent Control function."
- "Directors who deem that they are no longer able to effectively carry out their responsibilities on the Board or Committees of which they are a member should step down."
- "Any director or any other person who is called upon to attend meetings of the Board and the Committees of the Board is required to treat all matters discussed during the meeting as strictly confidential. In particular, directors or other persons shall treat as strictly confidential all insider information as well as information that may interest competitors or external parties in connection with "economic intelligence" and confidential information described as such by the Chairman. In case of failure to comply with this obligation, the director or other person may be exposed to a claim for damages."
- "Directors shall endeavour to participate regularly and actively in the meetings of the Board and the Committees of the Board and to be present at the Annual General Meeting of shareholders" (see section above "Board of directors and Annual General Meeting").
- "In addition to the number of shares that directors are required to hold under the Articles of Association, directors elected at the Annual General Meeting should personally hold BNP Paribas shares equivalent to at least one year of directors' fees" (the number of shares held appears in the personal profile of each director).

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 12).

### ■ Compensation of directors <sup>(1)</sup>

- Directors who are not Group employees receive no form of compensation other than directors' fees <sup>(2)</sup>.
- The amount of fees payable to each director individually has remained unchanged since 2005, at EUR 29,728, including EUR 14,864 – 50% of the total – as the fixed portion and EUR 1,238.67 per meeting. The Chairman of the Board of directors does not, however, receive any additional fees under this rule. To take into account the additional constraints they face, directors who live outside France are paid 1.5 times the fixed portion of directors' fees.
- The amount of fees payable to the members of the Board's Committees has also remained unchanged since 2005, at EUR 5,946, including EUR 2,973 as the fixed portion and EUR 594.60 per meeting. The Chairmen of the Financial Statements Committee and the Internal Control, Risk Management and Compliance Committee are paid a fixed portion of EUR 15,000 and a variable portion of EUR 1,239 per meeting. Based on a recommendation submitted by Alain Joly, the directors' fees attributable to him as Chairman of the Compensation Committee and Chairman of the Corporate Governance and Nominations Committee were respectively of EUR 1,000 to EUR 2,973.
- Based on the foregoing, the Board decided to grant directors a total appropriation of EUR 523,724, up from EUR 498,178 in 2007. The overall amount of directors' fees was set at EUR 780,000 by the Annual General Meeting of 18 May 2005.

### Compensation

- Acting on a report from the Compensation Committee, the Board examined the compensation of Michel Pébereau, Baudouin Prot, Georges Chodron de Courcel and Jean Clamon, corporate officers <sup>(3)</sup>. In accordance with the policy on the determination of the compen-

sation of corporate officers described in note 8.d of the consolidated financial statements, it ascertained the results of the application of quantitative targets in connection with the Group's performance, on that part corresponding to variable compensation for 2007. It also examined the attainment of personal objectives during that year, after having reviewed the Corporate Governance and Nominations Committee's performance review for each corporate officer.

- The Board determined the fixed salary and basic bonus of Jean-Laurent Bonnafé, as well as his obligation, as of 1 September 2008, to hold shares allocated following the exercise of stock options. In accordance with AFEP-MEDEF's corporate governance code, the Board made its decision public on 6 November 2008. The Board also authorised the compensation and benefits to be received by Jean Clamon under his employment contract following the end of his duties as a corporate officer.
- The Board set the fixed portions of directors' compensation for 2008 as well as the bases for determining the variable portion in the light of the results of a survey of executive compensation in a number of comparable European banks.
- Neither the Chairman nor the Chief Executive Officer was involved in the preparation of decisions concerning their compensation, nor did they take part in the Board's vote on decisions setting their compensation.
- The individual compensation of the Chairman, Chief Executive Officer and Chief Operating Officers were presented in detail at the Annual General Meeting of the shareholders on 21 May 2008.
- Based on a report from the Compensation Committee, the Board noted the fixed portion of the compensation for members of the Executive Committee other than corporate officers and the variable portion determined for 2007.

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 18).

<sup>(2)</sup> Directors members of the Group: Patrick Auguste, Jean-Marie Gianni, Michel Pébereau, Baudouin Prot.

<sup>(3)</sup> AFEP-MEDEF Corporate Governance Code (point 20-1).

**Note 8.d to the consolidated financial statements describes the compensation policy for corporate officers as well as the policy on the grant of stock options. This note also contains information on the pension plans applicable to corporate officers as well as the corresponding provisions for pension obligations. It features a standardised presentation of all information concerning compensation due on the basis of, and paid in, 2008, and of options granted and exercised in 2008. This note has been prepared in accordance with AFEP-MEDEF's Corporate Governance Code of December 2008.**

#### ■ Global Share-Based Incentive Plan

- Acting on a recommendation from the Compensation Committee, the Board adopted the Group's Global Share-Based Incentive Plan for 2008. This plan involves 3,985,590 stock options (representing 0.45% of the share capital) and 820,890 bonus shares (representing 0.09% of the share capital). It concerns 3,731 employees whose level of responsibility, contribution to results or professional potential make them key players in Group strategy as well as in the Group's development and profitability. The Board approved the payment and the terms and conditions of this plan.
- The Board determined the number of options granted to corporate officers in accordance with the grant policy defined by it.
- The Board noted, based on the report submitted by the Compensation Committee, that the practices applied by BNP Paribas complied with both legal obligations and AFEP-MEDEF recommendations in force until 6 October 2008 concerning the granting of stock options or bonus shares to corporate officers.

#### ■ Share issue reserved for employees

The Board approved the terms and conditions of a new share issue reserved for employees.

#### Financial Statements Committee

- The Financial Statements Committee was set up in 1994; in 2008 its membership was unchanged from the previous year and included Louis Schweitzer (Chairman), Patrick Auguste, Denis Kessler and H el ene Ploix. Most of its members have extensive experience and expertise in the areas of corporate financial management, accounting and financial information.
- The Committee's membership complies with AFEP-MEDEF's Corporate Governance Code, which recommends that at least two thirds of the directors be independent. No members of the Bank's Executive Management sit on the Committee. Its duties and *modus operandi* are set out in the Board's Internal Rules. As is the case for all of the Board's Committees, it can rely on external experts if necessary.
- To ensure that the Committees' knowledge remains fully up to date, its meetings include briefings on key issues, which are then examined and discussed in the presence of the Statutory Auditors. The information presented can be rounded out, as the case may be, by meetings with managers of Group functional and operating units, organised by the Board's support staff for any Committee members who express a need for further clarification.
- The Committee met five times in 2008, including in one specially convened meeting, and the rate of attendance was 100%. It also met once with the Internal Control, Risk Management and Compliance Committee. Documentation on agenda items – presented in standardised form – was distributed on average three days prior to each meeting.



#### ■ Review of the financial statements and financial information <sup>(1)</sup>

- In 2008, the Committee reviewed the financial statements based on the documents and information provided by Executive Management and the verification procedures carried out by the Statutory Auditors. In doing so, it verified the relevance and consistency of accounting methods used in drawing up the Bank's consolidated and corporate accounts. The Committee reviewed management accounting data by core business and reviewed the impact of changes in the scope of consolidation. It was presented an analysis of the consolidated balance sheet and of its changes between 31 December 2006 and 31 December 2007 by the Head of Group Finance-Development. It held a special meeting in early 2008 to review the summary report of forecasted results for the 4th quarter and of the year 2007.
- It reviewed draft press releases concerning the Group's results prior to their presentation to the Board.
- During the course of its work, the Committee dedicated special focus to the effects of the financial crisis on the Group's financial statements and on the results of its core businesses. In this context, it was briefed by the Head of the Group-Finance Development Department and by the Statutory Auditors on the consequences of the impairments recorded, on the methods of valuing exposure to risk and on the provisioning made. It reviewed sensitive exposures presented as per the FSF's guidelines.
- The Committee was briefed on the methodological principles applied in determining total regulatory capital and risk-weighted assets; it elected the Tier 1 capital adequacy ratio.
- During their joint meeting, the members of the Financial Statements Committee and of the Internal Control, Risk Management and Compliance Committee decided, based on a memorandum prepared by the Group Finance Development Department, on the management and accounting coverage of

the counterparty risk on financial instruments. The Committees were briefed by the Head of Group Risk Management on the Bank's commitments in terms of the financing of conduits as well as on the increase of the Value-at-Risk (VaR) as of the end of the 3rd quarter of 2008.

- The Committee was presented the joint report by the Group Finance-Development Department and the Statutory Auditors on the key choices made concerning the application of accounting standards and on the clarification amendments of accounting rules issued on 30 September 2008 by the SEC and FASB, which it took into consideration in preparing its financial statements for the 3rd quarter of 2008.
- When reviewing the financial results for each quarter or in the course of its discussions of specific issues, the Committee interviewed the Head of Group Finance-Development. During its review of the 2007 financial statements, it interviewed the Head of Group Finance-Development, without any member of Executive Management being present.
- The Committee listened to the comments and findings of the Statutory Auditors concerning the financial results for each quarter, without any member of Group-Finance Development Department, the Chairman or the Chief Executive Officer being present, and asked them any questions it deemed relevant.
- The Committee reviewed – in the presence of the Statutory Auditors – the accounting internal control points identified by Group entities as part of the process of certifying their quarterly financial statements.
- The Committee reviewed the section of the draft report of the Chairman of the Board concerning internal control procedures relating to the preparation and processing of accounting and financial information, and recommended it for adoption by the Board.
- The Financial Statements Committee reported its findings to the Board of directors at the end of each meeting.

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 14-2-1).

## **Extracts from the Board of directors' Internal Rules: the Financial Statements Committee**

*"The Committee shall hold at least four meetings per year.*

### **Membership**

*At least two-thirds of the members of the Financial Statements Committee shall qualify as independent directors based on the definition used by the Board in accordance with French corporate governance guidelines.*

*No members of the Bank's Executive Management shall sit on the Committee.*

### **Terms of Reference**

*The Committee is tasked with analysing the quarterly, half-yearly and annual financial statements issued by the Bank and obtaining further explanations of certain items prior to presentation of the financial statements to the Board of directors.*

*The Committee shall examine all matters related to the financial statements, including the choices of accounting principles and policies, provisions, management accounting data, capital adequacy requirements, profitability indicators, and all other accounting matters that raise methodological issues or give rise to potential risks.*

### **Relations with the Group's Statutory Auditors**

*The Committee shall steer the procedure for selection of the Statutory Auditors, express an opinion on the amount of fees charged for conducting the statutory auditing engagements and report to the Board on the outcome of this selection process.*

*It shall review the Statutory Auditors' audit plan, together with the Auditors' recommendations and the implementation of these recommendations.*

*It shall be notified on a yearly basis of the amount and breakdown of the fees paid by the BNP Paribas Group to the Statutory Auditors and the networks to which they belong, calculated using a model approved by the Committee. It shall ensure that the portion of the audit firms' revenues that BNP Paribas represents is not likely to compromise the Statutory Auditors' independence.*

*Its prior approval shall be required for any engagement entailing total fees of over EUR 1 million (before tax). The Committee shall approve on an ex post basis all other engagements, based on submissions from the Group Finance-Development Department. The Committee shall validate the Group Finance-Development Department's fast-track approval and control procedure for all "non-audit" assignments entailing fees of over EUR 50,000. The Committee shall receive on a yearly basis from the Group Finance-Development Department a report on all "non-audit" engagements carried out by the networks to which the Group's Statutory Auditors belong.*

*Each Statutory Auditor shall report on a yearly basis to the Committee on its internal control mechanism for guaranteeing its independence, and shall provide a written statement of its independence in auditing the Group.*

*At least twice a year, the Committee shall devote part of a meeting to a discussion with the team of Statutory Auditors, without any member of Executive Management being present.*

*The Statutory Auditors shall attend the Committee meetings devoted to the review of quarterly, half-yearly and annual financial statements.*

*However, the Statutory Auditors shall not attend all or part of Committee meetings dealing with their fees or their re-appointment.*

*The Statutory Auditors shall not attend all or part of Committee meetings dealing with specific issues that concern a member of their staff.*

*Barring exceptional circumstances, the files containing the quarterly, half-yearly and annual results and financial statements shall be sent to Committee members at the latest on the Friday or Saturday morning preceding Committee meetings scheduled for the following Monday or Tuesday.*

*Where questions of interpretation of accounting principles arise in connection with the publication of quarterly, half-yearly and annual results, and involve choices with a material impact, the Statutory Auditors and the Group Finance-Development Department shall submit, on a quarterly basis, a memorandum to the Committee analysing the nature and significance of the issues at play, presenting the pros and cons of the various possible solutions and explaining the rationale for the choices ultimately made.*

### **Report of the Chairman**

*The Committee shall review the draft report of the Chairman of the Board on internal control procedures relating to the preparation and processing of accounting and financial information.*

### **Interviews**

*With regard to all issues within its purview, the Committee may, as it sees fit, and without any other member of Executive Management being present if it deems this appropriate, interview the Heads of Group Finance and Accounting, as well as the Head of Asset/Liability Management.*

*The Committee may request an interview with the Head of Group Finance-Development with regard to any issue within its purview for which it may be liable, or the Bank's management may be liable, or that could compromise the quality of financial and accounting information disclosed by the Bank.*

### **Common provisions**

*The Internal Control, Risk Management and Compliance Committee and the Financial Statements Committee shall hold a joint meeting at least once a year in order to discuss matters affecting both risk management policy and the provisions to be set aside in the books of BNP Paribas. This meeting shall be chaired by the Chairman of the Financial Statements Committee.»*

#### ■ Relations with the Group's Statutory Auditors <sup>(1)</sup>

- The Committee received from each of the Statutory Auditors a written statement of its independence vis-à-vis the conduct of the engagement.
- It was informed by the Statutory Auditors of the audit plan for the Group prepared in accordance with professional auditing standards.
- In the absence of the Statutory Auditors, it received notification of the amount of fees paid by the BNP Paribas Group to the Statutory Auditors in 2007 as well as of the results of a comparative study. Based on the information collected by Executive Management, it ensured that the amount or portion represented by BNP Paribas in the overall revenues of the audit firms and the networks to which they belong was not likely to compromise the Statutory Auditors' independence.
- The Committee recommended that the Board of directors modify the internal procedure on services not directly related to auditing so as to comply with the new auditing standards published in 2008. The Committee reviewed and approved engagements not directly related to auditing on an as-needed basis.

#### Internal Control, Risk Management and Compliance Committee

The Internal Control, Risk Management and Compliance Committee was set up in 1994 to cater to the specific needs of banking operations; in 2008 its membership was unchanged from the previous year and included François Grappotte (Chairman), Jean-Marie Gianno and Jean-François Lepetit, i.e., two-thirds of its members were independent directors in accordance with the AFEP-MEDEF Corporate Governance Code. Most of its members have extensive experience and expertise in the field of finance or accountancy. No members of the Bank's Executive Management sit on the Committee.

- In 2008, the Committee met five times (including in one specially convened meeting) and the rate of attendance was 93%. It also met once with the Financial Statements Committee.
- Documentation on agenda items was distributed to Committee members on average three days prior to meetings.

#### ■ Internal control, compliance and relations with regulatory authorities

- The Committee was provided with the draft annual reports on compliance, permanent control for the 2008 and discussed the main topics addressed in those draft reports. It also received the draft periodic control report on 2007 prepared by the Bank's General Inspection as well on the follow up of the recommendations made by it.
- It reviewed the report on permanent control comprising quantified data relating to operational risks, permanent control measures set up in the core businesses and in operational departments, to the objectives and progress of the control plans as well as to the follow-up of action plans. It reviewed a summary prepared for it by the Head of Compliance on salient events in the 1st half of 2008, in the regulatory, compliance and permanent operational control fields. The Committee was also briefed on the report on operations by the Bank's General Inspection unit for the 1st half of 2008. The Committee also reviewed the Group's policies for combating fraud.

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 14-2-2).

- The Committee received several briefings on the progress made on the project launched at the start of the year by Executive Management to review operational processes and measures geared to ensure the control and security of market transactions.
  - The Committee examined and proposed a draft resolution to the Board aimed at centralising the periodic control of several subsidiaries at the Group level.
  - It examined the correspondence exchanged between Executive Management, the Commission Bancaire and the AMF and reported on this to the Board.
  - Without any member of Executive Management being present, the Committee interviewed the Head of Permanent Control and Compliance, and the Head of the General Inspection unit, who is in charge of periodic controls.
  - The Committee reviewed the section of the Chairman's draft report on internal control and recommended its approval by the Board of directors.
- **Credit risks, market risks and liquidity risks**
- The Committee duly reviewed all of the sectors affected by the financial crisis highlighted in the Group Risk Management's report and analysed the breakdown by industry and geographical area. The Head of Group Risk Management's deputies, specialised in credit, counterparty and market risks were interviewed by the Committee and answered the Committee's questions in their respective areas of responsibility.
  - The Committee dedicated an exceptional meeting and a significant part of each of its ordinary meetings to reviewing sensitive exposures both in terms of market operations and corporate risk; in 2008 it also carried out several reviews of the Group's consumer credit and mortgage loan portfolios.
  - The Committee was briefed on the impact of market trends on Value-at-Risk (VaR), which were regularly updated. It was informed of the results of the stress tests performed by Group Risk Management on the risk profile of portfolios as well as of the conclusions of the Risk Policy Committees convened regularly by Executive Management to discuss specific issues.
  - During each of those meetings, the Committee reviewed the report of the Head of Asset and Liabilities Management on trends in liquidity markets and the position of BNP Paribas.
  - The Committee interviewed, without any member of Executive Management being present, the Head of Group Risk Management and the Head of Asset and Liabilities Management.

**Extracts from the Board of directors' Internal Rules:  
the Internal Control, Risk Management and Compliance Committee**

*"The Committee shall hold at least four meetings per year.*

**Membership**

*A majority of the members of the Internal Control, Risk Management and Compliance Committee shall qualify as independent directors based on the definition used by the Board in accordance with French corporate governance guidelines.*

*No members of the Bank's Executive Management shall sit on the Committee.*

**Terms of reference**

*The Committee is tasked with analysing reports on internal control and on measuring and monitoring risks, as well as the General Inspection unit's reports on its operations and key findings, and with reviewing the Bank's exchanges of correspondence with the General Secretariat of the French banking regulator (Commission Bancaire).*

*It examines the key focuses of the Group's risk management policy, based on measurements of risks and profitability provided to it in accordance with applicable regulations, as well as on its analyses of specific issues related to these matters and methodologies.*

*The Committee also tackles all compliance-related issues, particularly those in the areas of reputation risk or professional ethics.*

**Interviews**

*It may interview, without any other member of Executive Management being present if it deems this appropriate, the Head of the General Inspection unit, who is in charge of Periodic Controls, the Head of the Group Compliance and Permanent Control function and the Head of Group Risk Management.*

*It presents the Board of directors with its assessment concerning the methodologies and procedures employed.*

*It expresses its opinion concerning the way these functions are organised within the Group and is kept informed of their programmes of work.*

*It receives a half-yearly summary on the operations and reports of the Internal Audit function.*

**Common provisions**

*The Internal Control, Risk Management and Compliance Committee and the Financial Statements Committee shall hold a joint meeting at least once a year in order to discuss matters affecting both risk management policy and the provisions to be set aside in the books of BNP Paribas. This meeting shall be chaired by the Chairman of the Financial Statements Committee.»*



## Corporate Governance and Nominations Committee

In 2008, the members of the Corporate Governance and Nominations Committee were Alain Joly (Chairman), Claude Bébéar and Laurence Parisot. All of its members qualify as independent directors. Each member is well versed in corporate governance issues and has a proven track record in the management of major international corporations.

- No members of the Bank's Executive Management sit on the Committee. The Commission shall include the Chairman of the Board of directors in its work on seeking out and selecting new directors and on the replacement of corporate officers <sup>(1)</sup>.

The Board of Directors' Internal Rules define the Committee's tasks as follows:

### Extracts from the Board of directors' Internal Rules Corporate Governance and Nominations Committee

*The Committee is tasked with monitoring corporate governance issues. Its role is to help the Board of directors to adapt corporate governance practices within BNP Paribas and to assess the performance of Board members,*

*it tracks developments in corporate governance at both global and domestic levels. It selects the measures best suited to the Group with the aim of bringing its procedures, organisation and conduct into line with best practices,*

*it regularly assesses the performance of the Board using either its own resources or any other internal or external procedure that it deems appropriate,*

*it examines the draft report of the Chairman of the Board on corporate governance and all other documents required by applicable laws and regulations,*

*the Committee puts forward recommendations for the post of Chairman of the Board for consideration by the Board of directors,*

*acting jointly with the Chairman of the Board, the Committee puts forward recommendations for the post of Chief Executive Officer for consideration by the Board, and acting on the recommendation of the Chief Executive Officer, it puts forward candidates for the post of Chief Operating Officer,*

*the Committee assesses the performance of the Chairman, in his absence. It also assesses the performances of the Chief Executive Officer and Chief Operating Officers, in the absence of the parties in question,*

*it is also responsible for developing plans for the succession of corporate officers,*

*it makes recommendations to the Board of directors on the appointment of Committee Chairmen and Committee members,*

*it is also tasked with assessing the independence of the directors and reporting its findings to the Board of directors. The Committee shall examine, if need be, situations arising should a director be repeatedly absent from meetings.*

In 2008, the Corporate Governance and Nominations Committee met three times with an attendance rate of 78%.

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 15-1).

### ■ Performance of the Board - Assessing the performance of the directors <sup>(1)</sup>

In 2008, the Committee prepared an assessment of the performance of the Board of directors and of its specialised Committees. A summary of the assessments made by directors was submitted to them for review before being presented the report by the Committee's Chairman.

- The Committee noted that improvements recommended by the Board in the assessment for 2007 were duly implemented.
- The Committee assessed the individual contribution of each director to the Board of directors and to the Committees. It examined the conditions under which François Grappotte carried out his duties and functions as Chairman of the Internal Control, Risk Management and Compliance Committee, particularly with regard to the requirements of commitment and independence required by these duties, and recommended that the Board renew the term of office of François Grappotte, Suzanne Berger Keniston, Jean-François Lepetit and Hélène Ploix.
- After having examined her candidature in view of the criteria previously defined by it and submitted to the Board's approval, the Committee proposed the choice of Daniela Weber-Rey to the Board in replacement of Gerhard Comme, who resigned from the Board. It carried out a first review of the terms of office coming up for expiry in 2009.
- The Committee did not find any instance of non-compliance with EC Regulation no. 809/2004 in the personal circumstances of directors, nor did it receive any statement from a director indicating that there was such an instance. It did not note any breaches of ethical rules by any BNP Paribas director.

### ■ Succession planning <sup>(2)</sup>

- With the Chairman of the Board, the Board carried out an in-depth examination of the situation in terms of succession and continuity in the Group's Executive Management.
- It reviewed a plan to modify Executive Management and the Chairman's proposal, in accordance with the Chief Executive Officer, to appoint Jean-Laurent Bonnafé as Chief Operating Officer, in replacement of Jean Clamon. It recommended that the Board adopt these proposals.

### ■ Evaluation of corporate officers

- The Board carried out a performance review, outside his presence, of its Chairman.
- It also assessed the performances of the Chief Executive Officer and Chief Operating Officers, with the parties in question not present.
- The performance reviews of corporate officers is made in view of the foresight, decision-making and leadership skills shown by the officer in implementing the Group's strategy and preparing its future. Based on this review the variable part of compensation tied to personal objectives is determined.

### ■ Report by the Chairman

- The Committee reviewed the section of the Chairman's draft report on corporate governance and recommended its approval by the Board of directors.

### Compensation Committee

- In 2008, the members of the Compensation Committee's members were Alain Joly (Chairman), Jean-Louis Beffa and François Grappotte, i.e., two-thirds of its members were independent directors. Its members have extensive experience and expertise in the field of compensation systems, share-based incentive plans and pension issues in major international corporations.

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 15-2).

<sup>(2)</sup> AFEP-MEDEF Corporate Governance Code (point 15-2-2).

- No members of the Bank's Executive Management sit on the Committee. The Chairman of the Board of directors is not a member of the Committee, but is invited to take part in its deliberations, except those which concern him personally <sup>(1)</sup>. The Committee interviews the Head of Group Human Resources.
- According to the Board of directors' Internal Rules, the Compensation Committee is tasked with addressing all issues related to the personal status of corporate officers, including compensation, pension benefits, stock options and provisions governing the departure of members of the Bank's corporate decision-making or representative bodies.
- The Committee proposes the basis of calculation and the individual amounts of annual directors' fees within the overall limits set by the Annual General Meeting of shareholders.

In 2008, the Committee met five times with an attendance rate of 87%.

- The Committee examined the compensation of the Chairman, Chief Executive Officer and Chief Operating Officers. It set the amount of variable compensation payable in respect of 2007 and submitted proposals to the Board in this respect. Having been briefed on the findings of a survey of executive compensation in a number of comparable European banks, the Committee submitted its recommendations to the Board of directors concerning fixed compensation and the basis for determining variable compensation for 2008.
- It was informed of the compensation of the members of the Executive Committee.
- The Committee approved the terms and conditions of a new share-based incentive plan that includes both stock options and bonus shares. It ensured that this share-based incentive plan for 2008 was set up in accordance with legal requirements. It approved the list of beneficiaries of this plan, determined and proposed to the Board of directors the number of stock options to be granted to corporate officers. It specified the basis for calculating the exercise price after having ascertained that the adjustment mechanism implemented since 21 March 2003 had led, in each annual plan, to one or more increases in that price.
- The Committee defined the fixed compensation of Jean-Laurent Bonnafé, appointed Chief Operating Officer with effect as of 1 September 2008, as well as the basis for the calculation of his variable compensation for 2008 and submitted its proposals to the Board. It approved the compensation to which Jean Clamon may be eligible at the end of his duties as Chief Operating Officer and submitted its proposals to the Board.
- The Committee examined the AFEP-MEDEF recommendations of 6 October 2008 on the compensation of corporate officers and proposed that the Board implement them.
- The Committee carried out a preliminary review of the terms of the 2009 Global Share-Based Incentive Plan in view of the AFEP-MEDEF recommendations.

#### ■ Compensation of directors

- The individual amount of directors' fees has remained unchanged since 2005. The Committee examined the proposed allocation of directors' fees for 2008 and presented its proposals to the Board.

<sup>(1)</sup> AFEP-MEDEF Corporate Governance Code (point 16-2).

## Internal control

The information below concerning the Group's internal control system has been provided by Executive Management. The Chief Executive Officer is responsible for internal control systems and procedures, and for all the statutory information in the report on internal control. This document was prepared using information provided by the following Group functions: Compliance, Risk Management, Finance-Development, Legal Affairs and the General Inspection unit. It was validated by the decision-making body.

### **BNP Paribas internal control guidelines**

Internal controls in the banking sector in France and internationally are at the centre of banking and financial regulations and are governed by a wide range of laws and regulations.

The main regulation applicable to BNP Paribas in this sector is CCLRF Regulation no. 97-02<sup>(1)</sup> as amended, which defines the conditions for implementing and monitoring internal control systems in banks and investment firms. These rules lay down the principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and internal control documentation and reporting systems. Under article 42 of this Regulation, banks are required to prepare an annual statutory report on internal control for the attention of the Board of directors.

As required by Regulation no. 97-02, BNP Paribas has set up an internal control system (referred to herein as internal control) in which distinct organisations and managers are in charge of permanent controls and periodic controls. The internal control system must also take into account, as appropriate, the General Regulations of AMF (French Financial Markets Authority), regulations applicable to branches and subsidiaries outside France and to specialised operations such as portfolio man-

agement and insurance, the most widely accepted industry practices in this area and the recommendations of international bodies dealing with the capital adequacy framework issues, foremost among which are the Basel Committee and the Senior Supervisory Group.

### **Internal Control Definition, aims and standards**

The Executive Management of the BNP Paribas Group has set up an internal control system whose main aim is to ensure overall control of risks and provide reasonable assurance that the Bank's goals in this area are being met. This system is defined in the Group's Internal Control Charter, which serves as its basic internal reference document. Widely distributed within the Group and freely available to all Group employees, this Charter defines internal control as a mechanism for ensuring:

- the development of a strong risk control culture among employees;
- the effectiveness and quality of the Group's internal operations;
- the reliability of internal and external information (particularly accounting and financial information);
- the security of transactions;
- compliance with applicable laws, regulations and internal policies.

The Charter lays down rules relating to the organisation, lines of responsibility and remit of the various players involved in internal control, and establishes the principle that the different control functions (Compliance, General Inspection unit and Risk Management) must be exercised independently.

### **Scope of Internal Control**

One of the fundamental principles of internal control is that it must be exhaustive in scope: it applies in the same degree to all types of risk and to all entities in the BNP Paribas Group, whether operational (Core Businesses, Business Lines, Functions, Territories) or legal (branches and consolidated subsidiaries), without

<sup>(1)</sup>This document is frequently amended so as to improve the efficiency of internal control mechanisms.

exception. It also extends to core services or operational activities that have been outsourced, in accordance with regulatory requirements, as well as to companies for which the Group ensures operational management, even if not integrated in the scope of consolidation.

Implementing this principle requires a precise overview of the allocations of responsibilities and must factor in the ongoing growth in the Group's businesses.

### Fundamental Principles of Internal Control

Internal control in BNP Paribas is based on four key principles:

- **responsibility of operational staff:** the permanent control system must be incorporated within the operational organisation of the entities. Operational managers must ensure effective control over the activities for which they are responsible, and all employees are under the duty to provide early warnings about any problems or failings of which they are aware;
- **exhaustiveness** of internal control (see above, under "Scope of Internal Control");
- **separation of tasks:** this applies to the various phases of a transaction, from initiation and execution, to recording, settlement and control. The separation of tasks also exists between independent functions carrying out independent controls and between permanent controls and periodic controls;
- **proportionality of risks:** the scope and number of controls must be proportional to the risk level covered. These controls may consist in one or more controls carried out by operational managers and, if necessary, one or more permanent control Functions;
- **internal control traceability:** this relies on written procedures and audit trails. Controls, results, exploitation and information reported by entities to higher Group Corporate Governance levels must be traceable.

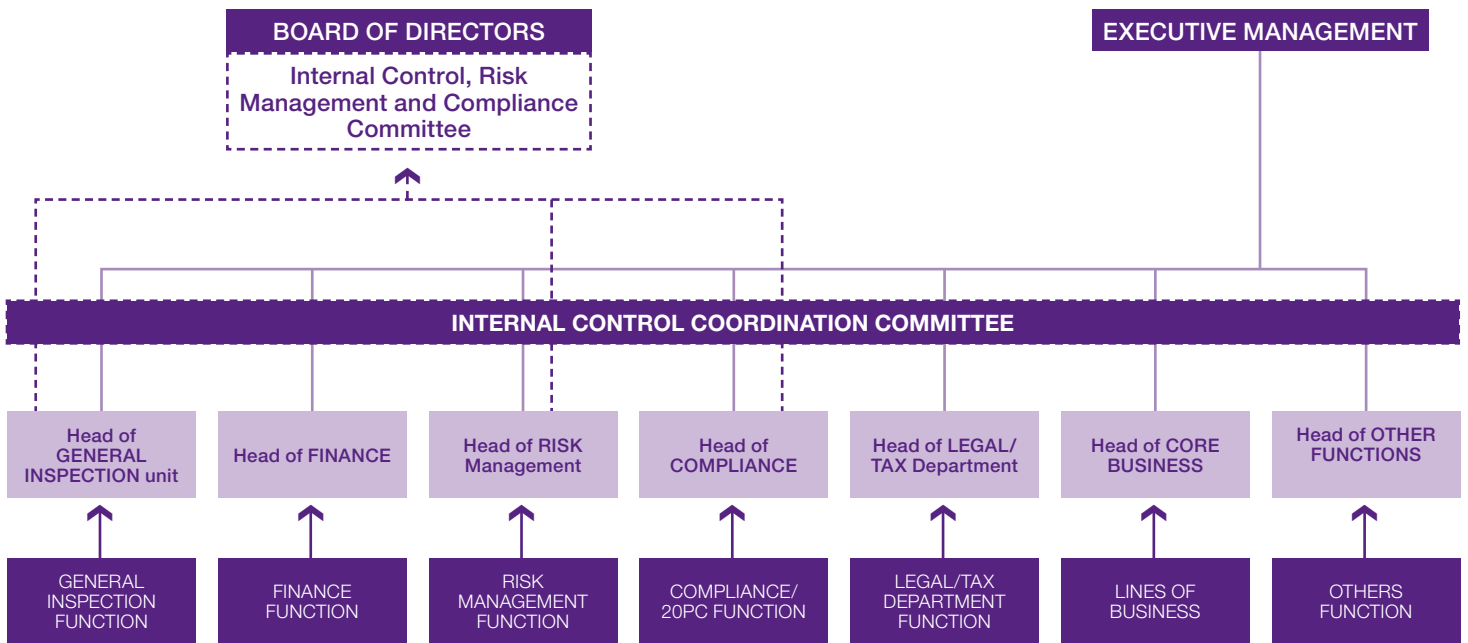
Periodic control teams (General Inspection unit) verify that these four principles are complied with by carrying out regular inspections.

### Organisation of Internal Control

Internal control at BNP Paribas consists in permanent and periodic controls. While they are complementary, they are distinct and independent of one another:

- permanent control is an overall process for the ongoing implementation of risk management and monitoring of strategic actions. It is carried out by operational staff, and their line managers, and by permanent control Functions either within or independent of these operational entities;
- periodic control is an overall process for "ex post" verification of the operation of the Bank, based on surveys that are conducted by the General Inspection unit, which performs these functions on an independent basis.





### Players involved in internal control

- Executive Management, reporting to the Board of directors, is responsible for the Group's overall internal control system.
- Operational staff, at all levels (front/middle/back office, support function etc.), and in particular those in the reporting line of command have first-level responsibility for risk management and leading permanent control players. They carry out first-level controls: controls of the transactions handled by them and for which they are responsible, controls on the operations or transactions handled by other operational staff or management controls.
- Permanent Control Functions. These Functions carry out second-level controls:
  - the Compliance function contributes to permanent control of the risk of non-compliance, so as to ensure that the Group conforms to legal and regulatory provisions, professional and ethical standards, as well as the overall strategy of the Board of directors and Executive Management guidelines. It has considerable independence, notably ensured by its joint exercise with the Heads of operating units over the managers of

teams in charge of compliance in the core businesses and support functions via a joint oversight arrangement. The Head of Compliance reports to the Chief Executive Officer and represents the Bank before the Commission Bancaire with regard to all matters concerning permanent controls,

it also ensures, through dedicated teams, the supervision of the operational permanent control system of lines of business (Core Businesses and Lines of Business) and of support and control Function,

lastly, it ensures a coordination role for the Group's overall internal control system, by coordinating the Internal Control Coordination Committee and major cross-functional projects, in particular those geared at bolstering the internal control system, which took on increased importance in 2008 and will be continued in 2009,

- the Risk Management Function contributes, notably by its "second-tier" controls of transactions and new activities, to ensuring that the credit and market risks taken by BNP Paribas comply and are compatible with its policy, the rating level it seeks to have and its profitability

objectives. The duties associated to this Function at the Group Risk Management level are exercised independently of the core businesses and support Functions, contributing to the objectiveness of its permanent control. Its Head, who is a member of the Executive Committee, reports directly to the Chief Executive Officer,

- the Finance-Development Function is responsible for the preparation of financial statements and quality control management, overseeing project management for the Group's financial information systems and ensuring the compliance of the Group's financial structure. Its Head, who is a member of the Executive Committee, reports directly to the Chief Executive Officer,
- other Functions, which are key players involved in permanent control in their respective areas of responsibility: Legal Department, Tax Department, IT Production, Information Technology & Processes Department, Human Resources Department.
- Periodic control: periodic control (called "third-level" control) is independently exercised by the General Inspection until for all Group entities. It includes:
  - inspectors based at headquarters, who are authorised to carry out controls throughout the Group,
  - auditors deployed in geographic or line of business hubs.

Periodic Controls are the responsibility of the Head of the General Inspection unit who reports operationally to the Chief Executive Officer. The Head also reports to the Board of directors directly, or through the Internal Control, Risk Management and Compliance Committee.

- The Board of directors exercises internal control duties. In particular, it set up an Internal Control, Risk Management and Compliance Committee (ICRMCM), which:
  - analyses reports on internal control and on measuring and monitoring risks, as well as the General Inspection unit's reports on its operations, and exchanges of correspondence with main regulators,
  - examines the key focuses of the Group's risk management policy.

### **Coordination of Internal Control**

An Internal Control Coordination Committee (ICCC) meeting is held monthly with the main players involved in permanent control (see above), the Heads of the five core businesses or their representatives, and the Head of Periodic Control.

This Committee:

- is chaired by the Head of Compliance, who sits on the Executive Committee, and steers the coordination of the Group's internal control;
- is not intended to replace the different Group Risk Management Committees but to enhance their effectiveness within the overall system;
- guarantees the consistency of the internal control system and its compliance with regulations;
- seeks to promote the use of shared internal control tools;
- enhances the overall consistency of the annual reports on internal control and control of investor services prepared by the Permanent Control and Periodic Control functions as required under their "Charter of responsibilities", and of the report of the Chairman of the Board of Directors on internal control procedures.

The Chairman of the ICCC reports to the Chief Executive Officer and, if the CEO or the Board of directors deems it necessary, to the Board of directors or the relevant Committee of the Board (usually the Internal Control, Risk Management and Compliance Committee).

In 2008, the ICC's work covered the following main topics:

- review of the Group's Internal Control Charter;
- fraud prevention policies and procedures;
- cross-functional projects to improve the permanent control system;
- half-yearly reports on permanent control.

### Procedures

Checking procedures is one of the key tasks of the permanent control system, alongside identifying and assessing risks, running controls, verifying reporting processes and overseeing the monitoring system.

Written guidelines are distributed throughout the Group and provide the basic framework for the Group's internal control, setting out the organisational structures, procedures and controls to be applied. The Compliance Function, at the headquarters level, and in the context of the supervision of permanent operational control, checks that procedural guidelines are regularly monitored for completeness via a network of procedure and permanent control correspondents. Efforts are ongoing to streamline the set of procedures and the applicable standards, improve their distribution and planning, make them more accessible and design better tools for storing them, both at the level of cross-function procedures and procedures for operational entities (level-3 procedures).

The Group's cross-functional guidelines (levels 1 and 2) are updated as part of an ongoing process in which all the core businesses and Functions actively participate. As regards the organisation of controls, the twice-yearly surveys on the effectiveness of processes have been integrated into the twice-yearly reporting of the permanent controls function.

Among the Group's cross-functional procedures, applicable in all entities, those dealing with the validation of exceptional transactions, new products and new activities are especially important in the field of

risk management, approval of day-to-day credit and market transactions. These processes rely essentially on committees (exceptional transactions committees, credit committees, etc.) primarily composed of operating staff and by permanent control functions (Risk and Compliance, as well as Finance Department, Legal Department and other concerned functions) who carry out a "second tier" control on transactions. In case of dispute, it is escalated to a higher level in the organisation. At the summit of the process are the committees (Credit Committee, Capital Market Risk Committee, Risk Policy Committee) on which members of Executive Management sit. At the end of 2008, so as to allow Executive Management to carry out a periodic review on risk trends in the Group, beyond that entailed by the participation of its members in such Committees, a monthly Risk Committee was held.

### Highlights of 2008

#### ■ Group Compliance

In 2008, the Group's internal control system was strongly marked by fraud prevention issues and by the consequences of the financial crisis.

A fraud prevention, detection and oversight policy, prepared in the course of 2007, was published in early 2008. It focuses on the essential role played by fraud prevention and detection in the permanent control system and organises oversight of Permanent Operational Control in this area. A second key action, which is still underway, is the review of the fraud prevention system in market operations in light of a ministerial report published at the start of year, and the introduction of necessary improvements.

As regards the financial crisis, besides setting up the Risk Committee referred to above, BNP Paribas has endeavoured to come up with summary of the salient findings made by international bodies such as the Senior Supervisory Group and private bodies such as the Institute of International Finance on failings in the internal control systems of financial institutions, to assess its system in view of those findings and implement any desirable improvements.

The very significant impact of the financial crisis on the internal control system did not prevent the continuance of efforts to introduce new organisational standards.

#### ■ Permanent Operational Control

The Group's permanent control system was further consolidated in 2008 from a dual standpoint: the involvement of operational staff in risk management and the systematisation of this approach.

The role of operational staff was reaffirmed and the responsibilities of the teams in charge of coordinating and supervising the permanent control system were clarified. These teams were merged under the aegis of the Group Compliance Function, with dual central and operational lines of reporting at the level of core businesses and functions respectively, so as to make them more independent and allow them to play a whistle blowing and control role.

Permanent operational control at BNP Paribas is structured around five main aspects, which were bolstered in 2008:

- identification and assessment of risks, with special focus on the risk of fraud and significant incidents;
- risk measurement, with the application, since 1 January 2008, of advanced methods in terms of capital requirements for operational risk (Basel II);
- formalisation of generic control plans by main processes, to be adapted to each entity in view of its risk criticality;
- production of management reports as regards operational risks and controls, at a local and headquarters level, with a broader scope;
- enhanced steering of the system, in particular through the extension of Internal Control Committees to new entities and monitoring of the recommendations by the permanent control function.

These actions will be further developed in 2009, specifically as regards risk mapping and the industrialisation of the approach, so as to enable BNP Paribas to rely on a system of permanent operational control that reflects its objectives and its values.

#### ■ Periodic control

The reorganisation of the General Inspection unit's resources was fully deployed in 2008. Internal audit staff are now grouped by geographic or line of business hubs. This new organisation has enabled defining clearer responsibilities, setting up short lines of communication and heightening the professionalism of internal audit staff at BNP Paribas, under optimum management and operating conditions.

In 2008, the Function also reviewed its "Recommendations" process, which is henceforth monitored by the permanent operational control. A workflow tool shared with auditees and Permanent Operational Control was developed to support this process.

The risk assessment methodology for this function was finalised and distributed in the form of a tool in the first half of 2008. This risk assessment methodology shared by all auditors of this function, so as to ensure the homogeneity of risk assessment, is the yardstick by which terms of reference are prepared.

The periodic control function also continued to invest in auditor skills development. The training offer was extended, and reliance on e-learning was increased while a catalogue featuring the function's training guidelines and enabling better skills management was made available to auditors. Lastly, based on the work and findings of the quality program, the General

Inspection unit launched a Knowledge program aiming at harmonising and enriching the knowledge base associated to the audit process. In this framework, existing guidelines on the internal audit process were reviewed and others created, specifically with a view to professional auditing standards.

### internal control human resources

At the end of 2008, the number of full-time equivalent employees (FTE) in the various internal control function components was as follows:

	2005	2006	2007	2008	Variation 2007/2008
Compliance	465	614	740	928	+24%
Permanent Operational Control <sup>(1)</sup>	50	70	439	492 <sup>(2)</sup>	+12%
Group Risk Management	834	869	881	954	+8%
Periodic Control	746	902	854	829	-3%
<b>TOTAL</b>	<b>2,095</b>	<b>2,455</b>	<b>2,839</b>	<b>3,203</b>	<b>+13%</b>

<sup>(1)</sup> The merger of the Permanent Control and Operational Risk monitoring having become effective in 2008, the new scope of the Permanent Control-Operational Risk entity was reconstituted for 2007 for the sake of comparison. It includes the Permanent Control, Operational Risk and Business Continuity Planning coordination teams.

<sup>(2)</sup> Survey at mid-2008.

#### ■ Second-level Permanent Controls

- The number of FTEs working in the Compliance function jumped 24% to stand at 928 at end-December 2008. Their rapid increase since 2005 has been driven by two developments:
  - continued strong like-for-like and acquisition-led growth throughout the Group,
  - major changes in regulations including a number of new requirements with structural implications for BNP Paribas (MiFID, Market Abuse Directive, the Third Directive, measures concerning embargoes, transparency requirements, etc.).

This attests to the eagerness of BNP Paribas to provide adequate non-compliance risk management oversight procedures to keep pace with the sustained growth in the Group's businesses.

- The new Permanent Operational Control entity created following the merger in 2007 of the permanent control and Operational Risk monitoring teams, coordinates the implementation of the approach in the different Group entities. This new entity counted 492 FTE at mid-2008. This figure includes the head teams in the core businesses and functions but excludes the resources dedicated to accounting internal control and the numerous teams of specialised controllers throughout the Group.



- At the end of 2008, Group Risk Management had 954 FTE. GRM continued to bolster its resources to as to better face the current financial crisis within the scope of GRM RCM (Risk Capital Market) and created two new departments (GRM R AMS and GRM R IRS) respectively responsible for the risk of the AMS and the International Retail Banking and Financial Services core businesses.

#### ■ Periodic controls

Average headcount in the Bank's General Inspection unit fell slightly from 854 at 2007 year-end to 829 at 2008 year-end. This reduction is primarily explained by the restructuring of BNL, which has transferred lines of business and staff associated to periodic control to permanent control and experienced difficulties hiring. Difficulties of the same nature were also met by the IRS core business at some of its centres. The periodic control headcount of the other core businesses increased slightly. The ratio of auditors to auditees stood at 0.6% at the end of 2008, unchanged from 2007.

#### Limitation of the powers of the Chief Executive Officer

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of BNP Paribas and to represent the Bank in its dealings with third parties.

He shall exercise these powers within the limits of the corporate purpose and subject to those powers expressly granted by French law to Shareholders' Meetings and the Board of directors.

Within the Group, the Internal Rules of the Board of directors require the Chief Executive Officer to submit to the Board for prior approval any investment or divestment decision (excluding portfolio transactions) of more than EUR 250 million, and any proposed acquisition or divestment of equity interests of more than EUR 250 million. The Chief Executive Officer must seek preliminary approval from the Financial Statements Committee of the Board for audit engagements entailing total fees of over EUR 1 million (before tax).

#### Internal control procedures relating to the preparation and processing of accounting and financial information

##### **Roles and responsibilities regarding the preparation and processing of accounting and financial information**

Acting under the authority of the Chief Executive Officer, the Group Finance-Development function is responsible for the preparation and processing of accounting and financial information. Its duties and responsibilities include:

- producing and distributing high quality financial statements;
- producing quality management accounts, and providing all forecast quantitative data needed for steering Group policy;
- overseeing project management for the Group's financial information systems;
- optimising the Group's financial position;
- ensuring that the Group's financial position is well presented to the financial markets;
- coordinating the Group's development strategy and managing its external growth;
- providing Executive Management with early warnings.

The responsibilities of the Finance function are exercised at different levels of the Group: within each accounting entity <sup>(1)</sup> by the local Finance Department function, at the level of each core business by the Finance Department function and by the Group Finance-Development function.

<sup>(1)</sup> "Accounting entity" refers to the parent company, BNP Paribas, as well as each of the consolidated subsidiaries and branches.

The production of accounting and financial data, and controls designed to ensure their reliability, are first handled by the Finance Department of the accounting entity which reports this information to the core business, then on to the Group, and attests that it is reliable, based on the internal certification procedure described below.

The core businesses/business lines/territories then perform further controls at their level on the financial statements prepared by the accounting entities. They enhance the quality of the reporting by carrying out appropriate reconciliations of accounting and management data.

The Group Finance-Development function gathers all the accounting and management information produced by the accounting entities in line with formalised reporting procedures validated by the core businesses/business lines/region. It then consolidates such data for use by Executive Management or for external reporting to third parties.

### **Production of accounting and financial information**

#### **■ Accounting policies and rules**

The local financial statements for each entity are prepared under local GAAP while the Group consolidated financial statements have been prepared under IFRS (International Financial Reporting Standards) as adopted for use by the European Union.

The Accounting Policies Department of the central Group General Accounting Department defines, based on IFRS, the accounting policies to be applied on a Group-wide basis. It monitors regulatory changes and prepares new internal accounting policies and interpretations in accordance with such changes. An IFRS accounting manual has been produced and distributed to accounting teams within

core businesses, business lines and entities on the internal network communication tools (Intranet) at BNP Paribas. It is regularly updated to reflect regulatory changes. This central department also regularly carries out specific analyses for the accounting entities.

The central Budget and Strategic Management Control Department draws up management control rules that apply to all the Group's business lines. The Group's accounting and management control policies can be accessed using the internal network tools.

#### **■ Systems used**

The role of dedicated teams within Group Finance-Development includes defining the target architecture of the information systems of the Finance Department function (accounting systems, cost-accounting systems, accounting and regulatory consolidated reporting systems and consolidated management reporting systems). They facilitate the sharing of information and the implementation of cross-functional projects in a context of increasing convergence of the different existing accounting platforms, both at the Group and business line level.

The information used to prepare the BNP Paribas Group consolidated financial statements is derived from the Bank's various transaction processing systems, from the Front Office to the accounting department. Routing controls are ensured at each level of the data transmission chain to ensure these systems are adequately fed. The Group also regularly upgrades these systems to adapt them to the growth and increasing complexity of its business.

Lastly, dedicated teams are responsible for defining the accounting procedures in the back office and accounting systems for application at the operational level of the accounting principles established by Group Finance-Development.

### ■ Process for collecting and preparing consolidated accounting and financial information

The process for collecting accounting and financial information is organised around two separate reporting channels, one dedicated to accounting data and the other to management data. Both data collection channels use an integrated consolidation software package known as MATISSE (“Management & Accounting Information System”). At local level, the Finance teams enter validated financial and accounting data into the system in accordance with Group principles.

This reporting process applies to the channels dedicated to both financial and management accounting data:

- **Accounting data:** the procedures for preparing the Group’s financial statements are set out in the guidelines distributed to all core businesses and consolidated accounting entities. This facilitates the standardisation of accounting and financial data and compliance with Group accounting standards. Each Group entity closes its accounts on a monthly or quarterly basis and prepares a consolidation reporting package and management accounts in accordance with Group reporting deadlines. The validation procedures which accompany each phase in the reporting process seek to verify that:
  - group accounting standards have been correctly applied;
  - inter-company transactions have been correctly adjusted and eliminated for consolidation purposes;
  - pre-consolidation entries have been correctly recorded.

The Finance function of the relevant core business controls the consolidation packages from the accounting entities within its scope before reporting them to the department within Group Finance-Development in charge of preparing the consolidated financial statements.

- **Management data:** management information is reported on a monthly basis by each entity and business line to the Finance function of the relevant core business, which then reports management data consolidated at its level to the Budget and Strategic Management Control unit at Group Finance-Development.

For each entity and core business, a reconciliation is performed between the main income and expense items based on management data and the profit and loss account intermediate balances, prior to submitting the package to the Group reporting system. This is supplemented by an overall reconciliation performed by the Group Finance-Development function to ensure consistency between consolidated accounting profits and management reporting profits. These two reconciliations form part of the procedure for ensuring reliable accounting and management data.

### Procedure for control of accounting and financial information

#### ■ Accounting Internal Control within the Group Finance-Development function

To enable it to ensure the monitoring of accounting risks centrally, the Group Finance-Development function has combined the teams from “Group Control & Certification” and “BNP Paribas SA (France) Control & Certification” in a “Control & Certification” department.

“Group Control & Certification” has the following key responsibilities:

- defining the Group's policy as regards the accounting internal control system. This system provides for the implementation by the accounting entities of a certain number of principles organising the accounting internal control environment and key controls geared at ensuring the reliability of the information featured in their consolidation reporting package. The Group has issued accounting internal control guidelines for use by the consolidated entities and distributed a standard plan of accounting controls in 2008 listing the major controls aimed at covering the accounting risk;
- ensuring the correct functioning of the accounting internal control environment within the Group, in particular through the internal certification procedure described below;
- quarterly reporting to Executive Management and the Financial Statements Committee of the Board of directors on the quality of the financial statements being produced within the Group;
- monitoring implementation by the entities of the Statutory Auditors' recommendations in conjunction with the core businesses/business lines. This monitoring is facilitated by use of a dedicated tool (FACT) allowing each accounting entity to monitor the recommendations made to it and to regularly report on the progress made on different action plans. Group Finance-Development can identify improvements to the accounting internal control system made within the consolidated entities and provide, as applicable, solutions to any cross-functional problems that may have been identified thanks to the centralised monitoring of such recommendations.

The "BNP Paribas SA (France) Control & Certification" team is in charge of providing quality control on accounting information provided by the French Retail Banking network, and by Corporate and Investment Banking businesses that report to BNP Paribas SA (France) and entities for which Group Finance-Development is in

charge of their accounting. The team has the following key responsibilities:

- liaising between the back offices feeding the accounting system and the Group Accounting department;
- training back office teams in accounting controls and tools made available to them;
- coordinating the "elementary certification process" (described below) whereby back offices report on the controls conducted by them;
- implementing second-level accounting controls within all entities within its scope. These controls are in addition to the first-level controls carried out by back offices.

The accounting control of BNP Paribas SA (France) relies in particular on accounting control tools that permit:

- identifying for each account, the sector responsible for its justification and control;
- running reconciliations of the balances recorded in the accounting system with the balances in the operational systems for each business;
- identifying suspense accounts so as to monitor their discharge.

#### ■ Internal certification process

##### At Group level

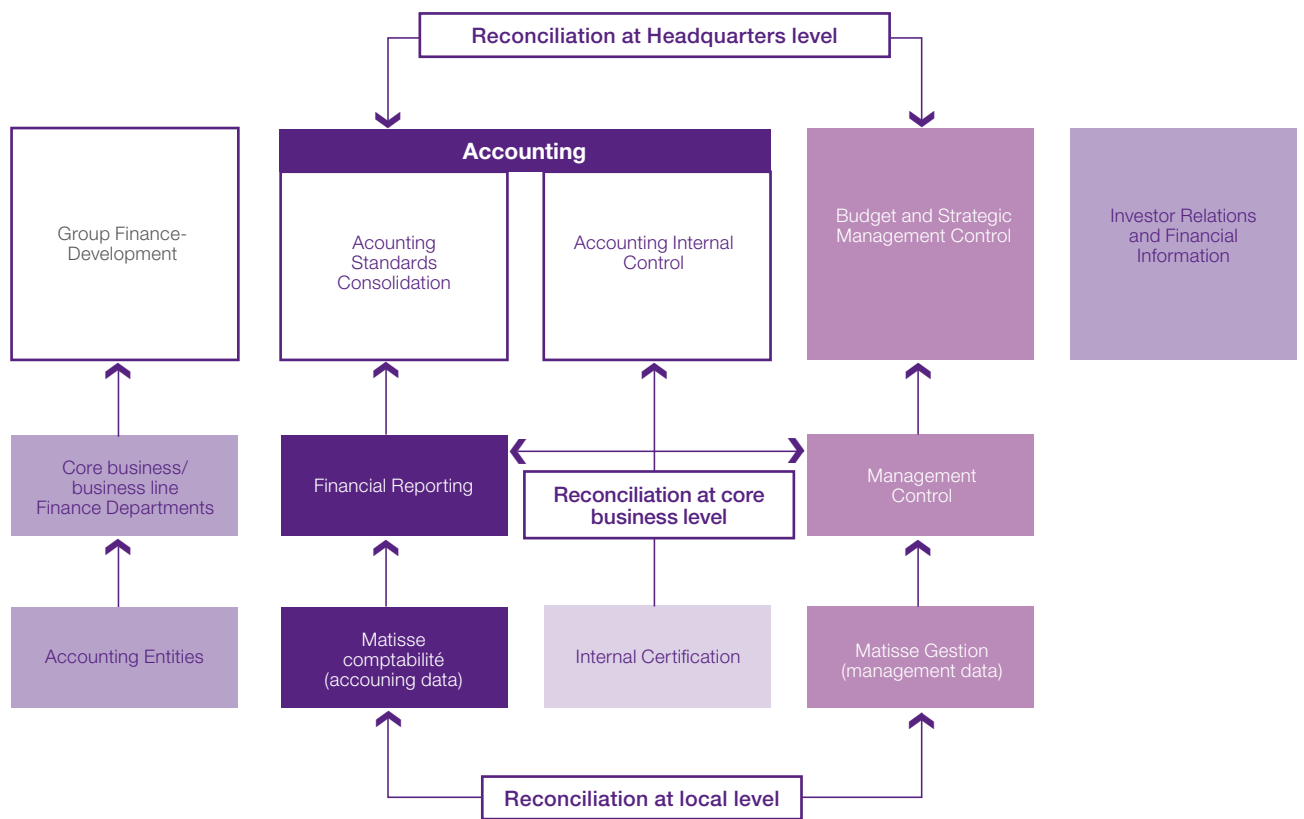
The Group Finance-Development function has introduced a process of internal certification of quarterly data produced by the different accounting entities, as well as of the controls performed within Finance departments of the core businesses/business lines and by the Consolidation department within the Group Finance-Development function. The process uses the FACT (Finance Accounting Control Tool) internet/intranet-based application.

The Heads of Finance of the entities concerned certify to Group Finance-Development that:

- the accounting data reported to the Group Finance-Development function are reliable and comply with Group accounting policies;

- the accounting internal control system designed to ensure the quality of accounting data is operating effectively.

This internal certification process forms part of the overall Group accounting internal control monitoring system and enables the Group Finance-Development function, which has overall responsibility for the preparation and quality of the Group's consolidated financial statements, to be informed of any problems in the financial statements and to monitor the implementation by the accounting entities of appropriate corrective measures and, if necessary, to set aside appropriate provisions. A report on this procedure is presented to Executive Management and to the Financial Statements Committee of the Board of directors at the close of the Group's quarterly consolidated accounts.





### At entity level

The certification procedure vis-à-vis the Group requires a suitably adapted accounting internal control system for each accounting entity that gives the local Finance function an overview of the entire accounting process. Towards this end, "Group Control & Certification" recommends implementing an "elementary certification" (or "sub-certification") process for accounting data whenever the processing of transactions and the preparation of accounting and financial data are organised in such a way that such process is necessary.

This process requires that those involved in preparing accounting data and in performing accounting controls (e.g., Middle Office, Back Office, Human Resources, Risk Management, Tax Department, Management Control/Planning, Accounts Payable, Treasury, IT Department, etc.) formally certify that the information provided is accurate and that the basic controls designed to ensure the reliability of the accounting and financial data for which they are responsible are working effectively. The elementary certificates are sent to the local Finance department, which analyses them, prepares a summary report and liaises with the other players in order to monitor the effectiveness of the system.

The FACT application also makes it possible to automate the elementary certification process by providing entities with a dedicated environment in which they can directly manage the processes set up at their level.

### ■ Oversight arrangements for measuring financial instruments and determining the results of market transactions

The Group Finance-Development function, which is responsible for the production and quality of the Group's financial statements and management accounting data, delegates the production and control of market values or models of financial instruments to the different players involved in measuring financial instruments within the overall process of monitoring market risk and management data.

Controlling these operations, which concerns all players, is the responsibility of the Finance function.

The purpose of these control procedures is as follows:

- to ensure that transactions involving financial instruments are properly recorded in the Group's books in accordance with Group policies for producing financial and management data;
- to guarantee the quality of financial instrument measurement and reporting used both in preparing the financial and management accounts and in managing and monitoring market and liquidity risk;
- to ensure that the results of market transactions are determined, understood and analysed correctly;
- to control the related operational risks.

This permanent control process uses first- and second-level controls in accordance with Group Internal Control Charter guidelines and exists at each level in the organisation, i.e., Group, Corporate and Investment Banking and in the main territories recording market transactions in their accounts.

Finance departments perform second-level controls and have visibility over the entire process via dedicated corporate investment banking teams (“CIB Financial Control”). They decide on the information that must be reported by the various players: this comprises both quantitative and qualitative data indicating trends in different businesses as well as the results and quality of upstream controls carried out.

Committees that meet on a monthly basis are gradually being set up to bring all of the players together to discuss the entire range of issues concerning the measurement and recognition of market transactions. As part of the quarterly accounts closing process, the Corporate Investment Banking Finance department reports back to an Executive Committee chaired by the Group Chief Financial Officer on the actions of the CIB Financial Control teams and their work to enhance control effectiveness and the reliability of the measurement and recognition of the results of market transactions. This Committee meets every quarter and brings together the directors of Group Finance-Development-Accounting, Corporate Investment Banking and Group Risk Management.

### **Periodic Control - Central Accounting Inspection Team**

The General Inspection unit includes a team of inspectors (the Central Accounting Inspection Team) specialised in financial audits. This reflects the strategy of strengthening the Group’s internal audit capability both in terms of technical scope and the areas of accounting risk tackled in the audit engagements undertaken.

Its action plan is based on the remote accounting internal control tools available to the Group-Finance Development function and the risk evaluation chart set up by the General Inspection unit.

The core aims of the team are as follows:

- to constitute a hub of accounting and financial expertise in order to reinforce the capability of the General Inspection unit when carrying out inspections in such areas;
- to disseminate internal audit best practices and standardise the quality of audit work throughout the BNP Paribas Group;
- to identify and inspect areas of accounting risk at Group level.

### **Development of the Accounting Internal Control System**

The accounting internal control system is constantly being adapted to the Group’s requirements. The aforementioned procedures form part of an evolving system that aims to guarantee an adequate level of control throughout the Group.

### **Relations with the Group’s Statutory Auditors**

Each year, the Statutory Auditors issue a report in which they give their opinion concerning the fairness of the consolidated financial statements of the BNP Paribas Group as well as the annual financial statements of the Group’s companies.

The Statutory Auditors also carry out limited reviews on the quarterly accounts close. As part of their statutory audit assignment:

- they examine any significant changes in accounting standards and present their recommendations concerning choices with a material impact to the Financial Statements Committee;
- they present the entity/business line/core business Finance functions with their findings, observations and recommendations for the purpose of improving certain aspects of the internal control system for the preparation of accounting and financial information, reviewed in the course of their audit.

The Financial Statements Committee of the Board of directors was briefed concerning accounting choices that have material impact, as discussed in the section “Corporate Governance” above.

**Corporate Communications  
(Press Releases, Special  
Presentations, etc.)**

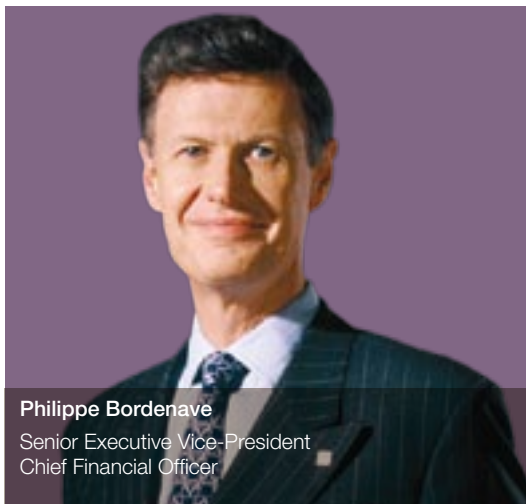
Financial reports are prepared for external publication by the Investor Relations and Financial Communications team, within the Group Finance-Development function, for the purpose of presenting the Group's different activities, explaining its financial results and providing details of its development strategy to shareholders, institutional investors, analysts and rating agencies.

The team, which reports to Executive Management and the Chief Financial Officer, devises the format in which financial information is published by the BNP Paribas Group. The team liaises with the core businesses and functions when

designing the presentation of the Group's results, strategic projects and special presentations for external publication.

Due to the growing demands of investors and the Group's determination to be at the leading edge of European corporate communications, BNP Paribas has adopted a detailed communications format designed to present its results to the financial markets on a quarterly basis. The Statutory Auditors are associated to the validation and review phase of press releases in connection with the close of quarterly, half-yearly or annual financial statements, before their presentation to the Financial Statements Committee and to the Board of directors.

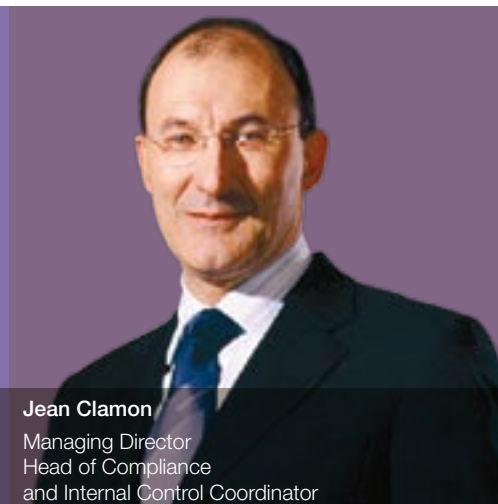
# Executive Committee



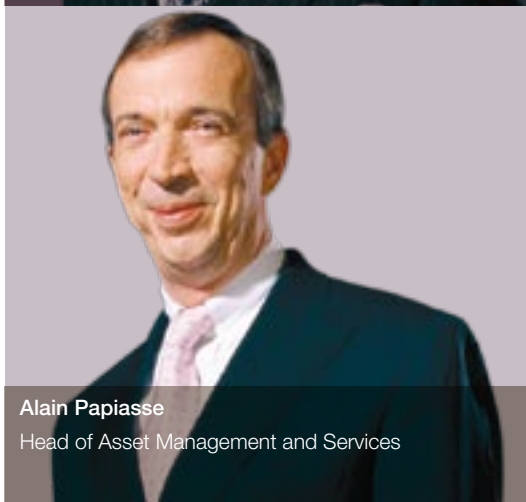
**Philippe Bordenave**  
Senior Executive Vice-President  
Chief Financial Officer



**Frédéric Lavenir**  
Head of Group Human Resources



**Jean Clamon**  
Managing Director  
Head of Compliance  
and Internal Control Coordinator



**Alain Papiasse**  
Head of Asset Management and Services



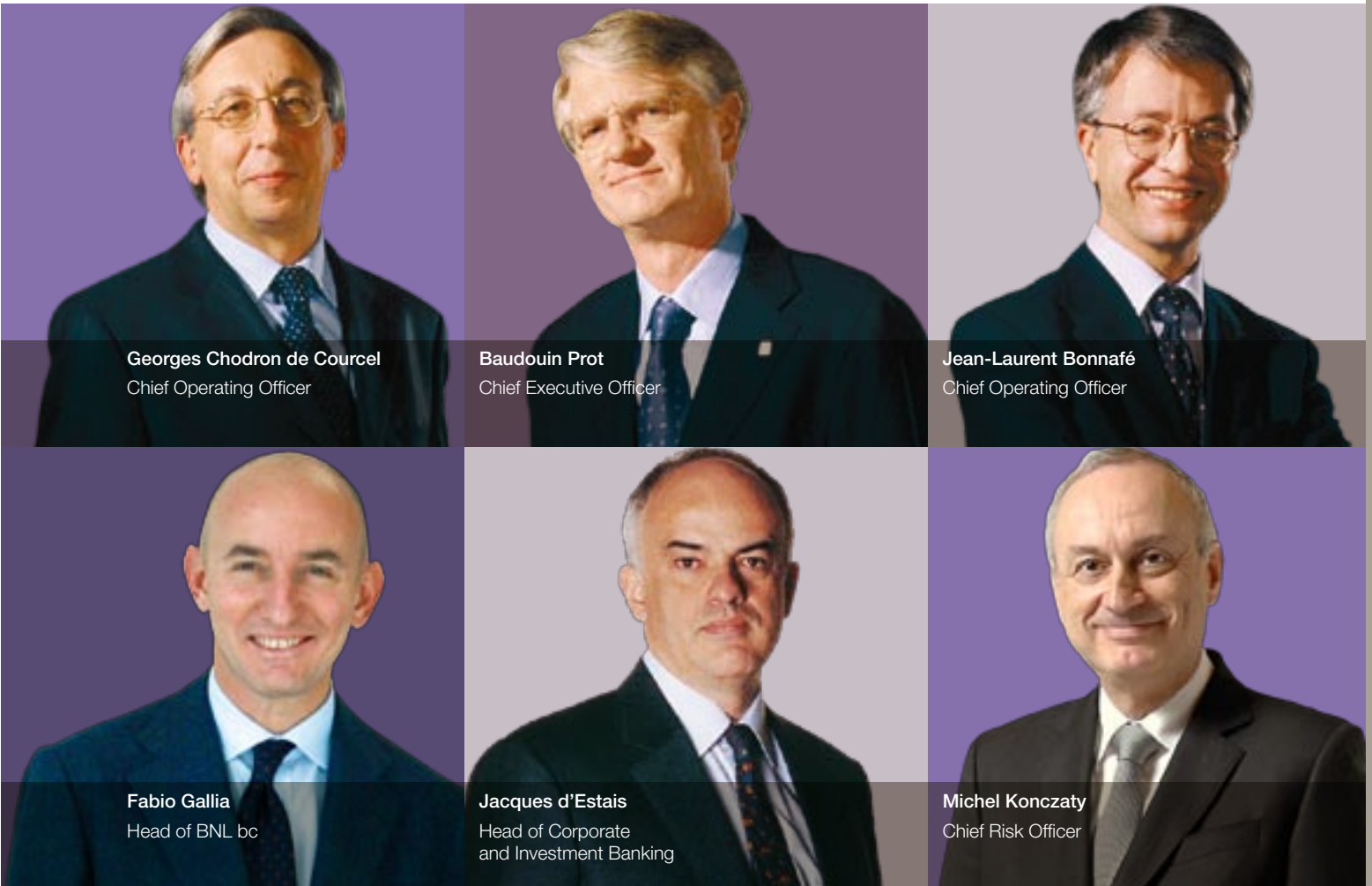
**Alain Marbach**  
Global Head of Information  
Technology and Processes



**François Villeroy de Galhau**  
Head of French Retail Banking

Since November 2007, the Executive Committee of BNP Paribas has been assisted by a permanent secretariat.

**Jacques d'Estais**, current Head of CIB, was appointed Head of AMS. **Alain Papiasse**, current Head of AMS, was appointed Head of CIB. Both appointments shall be effective as of 31 March 2009.





# Compliance



BNP Paribas' Compliance function is one of the key elements of the Group's internal controls system. This function falls within the scope of the Group's requirements under French Banking and Financial Regulations Committee (CRBF) Regulation No. 97-02 on internal controls in credit institutions, and under AMF General Regulations as amended following the transposition of the Markets in Financial Instruments Directive (MiFID).

The management of all types of risk is key to BNP Paribas' processes, management, and strategy, with the management of risks that could endanger the Bank's compliance being of particular significance. The Group defines compliance as adhering to laws, regulations, professional and ethical standards, Board of Directors guidelines, and Executive Management instructions. It encompasses protecting the Group's reputation, implementing the Group's rules of conduct, fighting against money laundering, terrorism, and corruption, and respecting market integrity, professional ethics, and the primacy of customers' interests.

The Group's compliance policy meets criteria of exhaustiveness and universality, and the same high standards are applied regardless of the entity or business, in France or abroad. The policy is based on the «best interests» principle, which states that the most stringent regulations in each country where the Group operates will be applied, along with the Group's own directives and procedures.

### Dedicated staff

The Compliance control mechanism, which is an integral part of internal control, comes under the responsibility of a dedicated Group Compliance function. This function falls under the direct control of the Chief Executive Officer and is managed by an Executive Committee member who is also responsible for ensuring that on-going internal control is in compliance with French law as well as coordinating the workings of the control mechanism.

The Compliance function, whose responsibilities are laid down by the Group's internal controls and compliance charters, comprises both a central team and local teams. The central team oversees the running of the function and sets the standards and procedures applicable in the Group. The local teams in the core businesses, business lines, functions, subsidiaries, and branches, who are in direct contact with transactions, represented 883 employees at the end 2008; i.e., over 95% of the function's staff. These teams are placed at the top level within the various entities and are under the joint control of the Compliance function and entities' operating managers, in accordance with the idea that operational staffs are at the front-line of risk management.

### Up-to-date standards

In 2008 the Compliance function continued its work to develop a set of high-level, up-to-date standards, as well as the following:

- An employee code of conduct was issued in early 2008, a fraud prevention, detection, and management policy, and a responsible selling policy – essential to protecting customers' interests;
- A BNP Paribas SA policy on employee transactions in financial instruments and a new policy on gifts;
- Policies on relationships with HALDE (the French High Authority on Equality and Discrimination), employee conflicts of interest, and compliance with the US Federal Reserve's disclosure requirements and limits on investment activities were adopted and disseminated.

On the operational front, the Compliance function ran all work concerning the introduction, on 1 November 2007, of the AMF General Regulation transposing The Markets in Financial Instruments Directive (MiFID). This Directive has a major impact on customer relations and significantly improves the protection of customer interests. This is particularly true for conflicts of interest, matching banking products to customer needs, best execution practices, transparency, and reports.

Tools for detecting and managing non-compliance risks play an increasingly central role. The roll-out of the ethics alert mechanism continued in 2008 across the Group, in France and abroad. This mechanism is in accordance with banking and finance regulations and data protection laws, and ensures transaction confidentiality. It aims to detect any dysfunction, especially concerning compliance issues, that could put the bank at risk; i.e., anything that may harm the Group or the Group's reputation, or impede its compliance with laws, procedures, market integrity, and respect for the primacy of customer interests. In another area, tools for detecting market abuse (insider trading and share price manipulation) are gradually being put in place.

Compliance training, whether with regard to protecting customer interests, market integrity, or the fight against money laundering, is one of the Compliance function's main responsibilities. This training was given to over 70,000 employees in the first nine months of 2008. At a central Group level, new employee awareness modules were developed concerning conflicts of interest and compliance with financial embargoes.

### **Monitoring financial security mechanisms**

Within the Compliance function, financial security teams coordinate the prevention of money laundering, the fight against corruption and terrorism financing, and the application of financial embargoes, a major source of obligations for financial intermediaries. They deal with the reporting of suspicious transactions in France and set standards in fields of expertise such as Know Your Customer (KYC) with regard to the prevention of money laundering, the acceptance of intermediaries (non-Group asset managers, referral agents, etc.), and relations with politically-exposed persons. The duty of care principle is a legal obligation for financial institutions, which extends to all their core businesses.

International circumstances have led authorities to introduce sanctions on certain countries or goods by imposing embargoes. Instructions for applying these embargoes lay down guidelines for detecting and dealing with transactions targeted by these measures, in accordance with current legislation. In 2008, the mechanism for ensuring compliance with financial embargos was strengthened.

BNP Paribas' strict policy on operations in tax havens involves closely monitoring its entities' administrations and any risks to the Group's reputation. The procedures and rules of conduct specifying the countries involved the methods for monitoring entities operating in these countries, and the corresponding compliance and financial security mechanisms were updated in late 2008. In accordance with the "best interests" principle, Group regulations on compliance with embargoes and the fight against money laundering, corruption, and terrorism financing apply to entities domiciled in tax havens, even if local regulations are less strict.

The display of monitoring and detecting transactions tools remains a priority. These software tools are an important investment for the Group and were developed further in 2008. The development work included: updating the database of politically-exposed persons; introducing, in France and abroad, automatic checks of the customer database against lists of sanctioned or politically-exposed persons; referencing a list of sanctions and anti-terrorism filters; and applying embargos. The roll-out in 2008 of the Group's mechanism for detecting market abuse provides an additional measure of the procedure's reliability.

The bank also took advantage of its software architecture to implement European Commission Regulation (EC) No. 1781 on information on the payer accompanying transfers of funds.

## Business continuity

Business continuity has played a key role in BNP Paribas' risk management strategy for many years. Being able to back-up employees' work and maintain efficient customer service – an important economic driver – are crucial, and therefore warrant an ambitious business continuity plan. BNP Paribas has developed a continuity plan based on resilience, the allocation of the adequate resources, and a long-term vision of the Group's progress.

### A strategy...

In 2008 BNP Paribas furthered the business continuity plan initiated in 2006 by introducing:

- Operational governance; and
- An industrialisation policy for the business continuity management processes.

#### ■ Operational governance

Governance guidelines have been implemented across the Group, and each entity has appointed a Business Continuity Plan Manager. The company's communication actions help bind the community.

#### ■ Industrialisation of the business continuity management processes

Due to BNP Paribas' size and wide range of operations, streamlined processes are essential for ensuring a consistent approach across the Group and minimising the time spent on document maintenance – time that could be better used for qualitative tasks like testing. The steps taken towards this goal in 2007 were continued in 2008 with the installation of management and reporting software.

### ...That has proven effective...

The Group makes a continuous effort to improve its business continuity plan on several levels, including:

- The quality and coherence of the methodology adopted throughout the Group;

- The implementation policy for continuity plans that was adopted upon Executive Management's initiative in 2006. This policy is communicated by the Global Business Continuity Plan Coordinator and is combined with the plans of individual business units and divisions; and
- The strengthening of the expertise of employees involved in managing the business continuity plan, who continue to grow in number (up 8% in 2008) and quality. To support this evolution, the Group Coordinator has developed a five-day training course which helps improve the community's expertise.

### ...And is continuously being improved

Based on the initial reports and results, the Group's main challenges going forward will be to:

- Better incorporate business continuity procedures into the associated support functions like IT support, crisis management, security, etc.;
- Finish developing methodology tools (employee unavailability, mobility, etc.);
- Build expertise further (through training and awareness programmes) and transfer it to local entities;
- Develop a system for managing extreme risks, mainly through a crisis unit, and extend the steps taken in 2007 (i.e., plans for a flu pandemic and severe floods);
- Take business continuity issues into greater account when developing outsourcing plans.

# NRE Appendices - Social chapter

NRE indicators Year 2008	Scope for 2008
<b>1. Remuneration and benefits paid to each corporate officer during the financial year</b>	
See the section of the CSR Report under Corporate governance – Remuneration.	Group
<b>2. Remuneration and benefits received from controlled companies during the financial year by each corporate officer within the meaning of Article L.233-13 of the French Commercial Code</b>	
See the section of the CSR Report under Corporate governance – Remuneration.	Group
<b>3. List of all directorships and positions held during the financial year in any company by each of the corporate officers</b>	
See the section of the CSR Report under Corporate officers, module 1	Group
<b>4. Total number of employees including employees on fixed-term contracts</b>	
See section 7.1. of the CSR Report under Human resource development – Growth in workforce.	
Beginning in 2008, workforce numbers are measured in NPP, Net Permanent Paid, rather than FTE, Full-Time Equivalent, as was done previously. NPP figures are measured pro rata to working time. The NPP workforce measures count active employees and employees on paid absences who are on contracts (permanent or fixed-term) of six months or longer. Interns, apprentices, VIE volunteers, subcontractors and temporary staff are not counted.	
The number of permanent employees managed by the Group at 31 December 2008 was 173,188 NPP, up 10,501 NPP compared with 2007.	Group
In France, the workforce managed by the Group was 64,217 NPP. For BNP Paribas SA, it was 38,128 NPP, including 92 employees on fixed-term contracts longer than six months.	France
The concept of cadre as used in a French work environment, loosely translated as “executive” or “manager”, cannot be transposed as such to the worldwide environment. For information purposes only, the ratio of cadres (executive or managerial employees) to all employees of BNP Paribas SA was stable in 2008:	
35.7% en 2002	
37.7% en 2003	
39.7% en 2004	
42.4% en 2005	
44.6% en 2006	
47.4% en 2007	
47.4% en 2008	SA Mainland
<b>5. Number of new permanent and fixed-term contract employees</b>	
In the year to 31 December 2008, the total number of new hires worldwide was 26,158, of which 55% were women.	Group
The Group made 4,748 recruitments on fixed-term contracts in France in 2008.	France
For BNP Paribas SA in mainland France, the number of new hires was 2,204: 1,003 men (45.5%) and 1,201 women (54.5%).	SA Mainland
See the CSR Report under Recruitment processes that meet the specific needs of each business line.	
<b>6. Recruitment difficulties, if any</b>	
The attractiveness of the BNP Paribas Group as an employer remains very high, with 173,000 unsolicited job applications received in 2008.	
In 2008 new hires continued to be split almost evenly between young graduates (45%) and employees with some previous experience (55%).	Group
See the CSR Report under Recruitment processes that meet the specific needs of each business line.	
<b>7. Number of and reasons for dismissals</b>	
In 2008 the total number of employees dismissed by BNP Paribas SA in mainland France amounted to 384 FTE. This figure includes employees on work-study contracts and unpaid employees. Under the method used in 2007, the figure would be 277 FTE.	
The main reasons for dismissals remain professional incompetence and misdeeds.	SA Mainland
<b>8. Overtime hours</b>	
In 2008 BNP Paribas SA in mainland France paid 76,739 hours of overtime, equivalent to less than 0.1% of regular hours.	SA Mainland
<b>9. Temporary staff</b>	
<i>Outside help: The monthly average number of temporary staff was 253 NPP. The average contract length was 25 days.</i>	
The agreements between BNP Paribas and temporary staffing agencies and service providers include very strict clauses on compliance with labour laws and prevention of selling at a loss, which is prohibited under French law.	SA Mainland
<b>10. If applicable, information relating to headcount adjustments, redeployment and career support advice</b>	
See the section of the CSR Report under Quantitative and qualitative adaptation of the workforce.	SA Mainland



**11. Working hours**

Extensive possibilities for requesting part-time work arrangements are available to employees. A total of 11.1% of employees at BNP Paribas SA in mainland France have opted for part-time work arrangements.

After one year of service, employees are eligible for a working time savings account in which leave days can be accumulated. Leave days saved in this account can be taken in various forms (personal convenience leaves, co-investment in training, financing a shift to part-time). Since 2008, days saved under the RTT, the French legislation that reduced the number of hours in the working week, can be monetised as pay. In 2008, 15,168 employees were using a time savings account.

With the agreement of their manager, employees can also take 5 to 20 days of unpaid leave.

SA Mainland

**12. Working hours and days for full-time employees**

In France, the average working week for a full-time employee is generally 35 hours. At BNP Paribas SA, the theoretical number of days worked per employee per year (on a fixed working hours basis) was 205 in 2008.

SA Mainland

**13. Working week for part-time employees**

Of the employees who have chosen to work part time, 93.4% are women. The most common arrangements are to work at 50%, 60%, or 80% of full time. 69% of part-time employees have opted to work at 80% of full time.

SA Mainland

**14. Absenteeism and reasons for absenteeism**

In 2008 the absenteeism rate at BNP Paribas SA in mainland France was 9.0%. Maternity leave accounted for 1.7 percentage points of this rate. For 2008, this rate includes unpaid absences, such as long-term leave without pay and leave to start a business. Unpaid absences accounted for 3% of total absences. The 2007 absenteeism rate stated on the same basis was 8.9%.

After maternity leave and business formation, the main cause of absenteeism continues to be illnesses that result in long-term absences.

See the 2007 Social Audit.

SA Mainland

**15. Remuneration**

The average monthly remuneration of BNP Paribas SA employees in mainland France was EUR 3,217 in 2008.

- 95.4% of employees received variable pay in the form of a bonus (95.3% of women and 95.6% of men)
- 41% were awarded an increase in base pay
- 12.6% were promoted to a higher level

See the CSR Report under Creating loyalty through competitive remuneration.

SA Mainland

**16. Changes in remuneration**

The annual wage bargaining round in 2008 for pay in 2009 led to an agreement signed by four of the five labour unions. The agreement has several components, all of which are in the direction of ongoing measures:

- an across-the-board 1.6% wage increase, but with certain floor and ceiling provisions,
- an increase in the flat-rate bonus,
- consolidation of some variable pay into base pay,
- improvement of the annual flat-rate bonus paid to managerial employees.

In addition, the agreement earmarks EUR 1 million to closing wage discrepancies between men and women.

SA Mainland

**17. Payroll expenses**

The Group's payroll taxes for 2008 amounted to EUR 2,588 million.

Group

**18. Application of the provisions of Title IV, Book IV of the French Labour Code (incentive and profit-sharing plans, employee savings plans)**

See the CSR Report under Creating loyalty through competitive remuneration.

In 2008, profit-sharing and incentive amounts accruing to employees of BNP Paribas SA in respect of 2007 earnings reached a record high of more than EUR 232.5 million, or a minimum of EUR 4,696 and a maximum of EUR 12,800 per employee (on a full-time employee basis).

BNP Paribas SA

The geographic breakdown of staff outside France that took up the 2008 employee share issue is as follows:

Europe: 58%  
Asie: 23%  
Amérique du Nord: 7%  
Amérique latine: 5%  
Afrique: 5%  
Moyen-Orient: 2%.

Groupe

**19. Gender equality in the workplace**

See the CSR Report under Promoting diversity in all its forms.

54.6% of BNP Paribas employees worldwide are women (based on physical NPP headcount).

Group

BNP Paribas SA's staff in mainland France is composed of 17,086 NPP men and 21,042 NPP women.

The enterprise agreement of 9 April 2004 was amended in 2005 and 2006 and then replaced by the agreement of 30 July 2007. This agreement sets down the principles that should be followed in observing and developing equality of opportunity and treatment between men and women at all stages of professional life. The proportion of female executives continued to rise: 34.2% in 2001; 35.7% in 2002; 36.9% in 2003; 37.7% in 2004; 38.8% in 2005; 40.3% in 2006; 41.4% in 2007; 42.6% in 2008.

The proportion of female employees receiving promotion developed as follows: 54.7% in 2002; 55.6% in 2003; 55.8% in 2004; 57.1% in 2005; 58.1% in 2006; 58% in 2007; 59% in 2008.

SA Mainland

In 2008, at BNP Paribas in France, 32% of appointments to administrator and senior management positions were women, compared with 28.5% in 2007.

Group in France

**20. Employee relations and collective bargaining**

See the CSR Report under High quality employer-employee relations.

As in previous years, there was constructive dialogue with employee representatives within BNP Paribas SA in 2008. The Commission on Employment Law, BNP Paribas SA's labour negotiation body, met on 37 occasions, and 8 new agreements were signed with trade unions.

SA Mainland

**21. Health and safety**

See the CSR Report under *Protecting employee health*.

Over and above the initiatives discussed in the Report, other more specific actions were taken in 2008:

- *Medical assistance to employees who were victims of attacks*  
In 2008, 117 employees received medical assistance after an attack. Five of them were referred to specialists for psychological help.
- *Training for medical staff and refresher courses for first-aid workers*  
Increased throughput in refresher courses for first-aid workers: 108 employees were trained and 379 went through courses to refresh their skills.
- *Vaccinations*  
Continued large-scale vaccination campaign with 2,550 flu shots administered.
- *Preventive clinical activities*
  - Cardiovascular: 248 evaluations of cardiovascular health, ten of which required a day in hospital,
  - Screening for glaucoma and diabetes,
  - Ergonomics of work stations: 9 plan studies, 119 premises visits and 14 studies were conducted in 2008.
- 737 people participated in the blood donation drive.
- *Programme offered to help employees and their family members quit smoking (Allen Carr method)* – 47% of the 635 people registered in Paris in 2007 became non-smokers in 2008.  
In 2008, 73 people took part in smoking cessation programmes held outside Paris (in Arras, Dijon, Chartres, Orleans and Marseilles).
- *Screening for skin cancers*  
- 603 people were screened at the 29 sessions that were organised. 60 people were referred to a dermatologist for a biopsy, and 187 were recommended for annual screening.

SA Mainland

**22. Training**

See the CSR Report under Developing the skills of employees and teams.

For BNP Paribas SA in mainland France, the numbers of employees enrolled in courses of study leading to a diploma were 304 for the Brevet Professionnel diploma in banking, 501 for the BTS diploma in banking and 260 for the Institut Technique de Banque diploma.

In 2008, 10,447 employees of BNP Paribas SA Métropole applied for training under the DIF (individual right to training), compared with 8,733 in 2007. 39.5% of eligible employees exercised their DIF right, putting the Bank above the average (30.6%) for companies subject to this provision.

SA Mainland

**23. Employment and integration of persons with disabilities**

See the CSR Report under *Promoting diversity*.

In 2008 the number of employees with disabilities at BNP Paribas in France was 754, compared with 730 in 2007. The number of beneficiary (handicap-equivalent) units (BU) was 986, compared with 1,014.9 in 2007. Subsequent to changes in legislation, 54 BU for severe handicap were not renewed in 2008.

An agreement on employment and inclusion of persons with disabilities was signed in 2008. This agreement is part of BNP Paribas' overall non-discrimination and diversity initiative, and it follows up on commitments made when the Diversity Charter was signed in 2004. This agreement expresses all parties' desire to see BNP Paribas implement a proactive long-term policy in favour of employment and inclusion of persons with disabilities. It calls for actions in four areas:

- develop a plan for hiring in an ordinary business setting,
- improve conditions for bringing persons with disabilities into jobs by offering appropriate working conditions, access to professional training and technological accommodations,
- seek out stronger partnerships with the protected worker sector,
- ongoing attention to the various aspects keeping persons with disabilities in employment.

The Group keeps an active list of organisations in the protected worker sector so that subcontractors of Group entities can be referred to and encouraged to call on such organisations.

France

## 24. Social and cultural activities

Social and cultural activities that are national in scope are managed by the Central Works Council. Local service activities are managed by local works councils. Services include children's summer camps and organised holidays for staff, contributions to meal expenses, family welfare, lending libraries for books, records, videos and other media, and discounts for theatres and cinemas. A sports and cultural association gives employees the opportunity to take part in a variety of team sports and cultural activities.

A breakdown of BNP Paribas SA's contributions to company cultural and social activities is provided in the company's Social Report.

The budget for such activities in 2008 amounted to EUR 93.22 million.

SA Mainland

## 25. Relations with the community, including associations to combat social exclusion, educational institutions, environmental and consumer associations, and local residents

See the CSR Report under A partner in society.

Over the years, BNP Paribas SA's local banking network in France has been involved in more than 1,300 formal or informal voluntary partnerships with various organisations. These relationships often take the form of offers of internships, apprenticeships or jobs to gain work experience. Many of these partnerships also serve to promote the sporting, cultural and artistic initiatives of young people, as well as local projects to help integrate them into the labour force, fight social exclusion and protect the environment.

**Projet Banlieues:** Through the Projet Banlieues, launched in December 2005, the BNP Paribas Foundation offers its support to ADIE (a non-profit association providing microcredit to the unemployed) to foster business development in disadvantaged neighbourhoods through several initiatives:

- job creation and business formation: in three years, this project has financed the opening of seven lending centres throughout France. 1,200 microcredit loans have been granted by these centres, enabling 850 new businesses to be formed.
- tutoring and coaching: in partnership with Afar, 1,200 school children have received help at six branches in disadvantaged neighbourhoods.
- support for community projects: the Foundation has provided help to 124 associations, including 41 in 2008. Ongoing initiatives relate to social inclusion via culture, education, training, as well as to sport, disabilities, and also recreation.

Initially scheduled for a term of three years, the partnership has been renewed until 2011.

**Consumer associations:** The Quality & Consumer Relations Department of the French Retail Banking division has set up partnerships with around ten consumer advocacy groups.

**Mediation of banking disputes:** BNP Paribas is one of the first and only financial institutions to have committed since 2003 to follow the recommendations and opinions of the Mediator in any and all cases. In 2007, before it was required to do so, BNP Paribas extended mediation of banking disputes to all products and services marketed to individuals.

The Chatel Act made this obligatory for all financial institutions only beginning in 2008. Up until then, only disputes involving deposit accounts, sales with premiums and bundled sales were subject to mandatory mediation under the 2001 economic and financial reform legislation (Murcef Act of 12 December 2001).

**Links with schools**

- The Group's very active 'campus management' policy, with over one hundred events organised at schools in 2008, maintained a substantial flow of applicants for pre-recruitment (internships, VIE, work-study) from nearly 64,000 candidates.

Under partnership agreements or as part of specific projects, groups of BNP Paribas branch offices maintain very close relationships with the associations and schools in their catchment areas. These partnerships are often much more than purely commercial relationships, offering financial, technical or even organisational support of projects undertaken by the partnerships.

- BNP Paribas has awarded one million euros in grants to some one hundred institutions in underprivileged urban areas as payment of the apprenticeship tax. This amount was used to purchase, hire and maintain teaching and professional equipment and facilities.

SA Mainland

## 26. Contribution to regional development and employment

The Group seeks to promote economic development in the territories where it is based by providing its clients with the financing to fuel their development. BNP Paribas plays a major role in financing entrepreneurs and new small businesses, which are the mainstay of the French economy. The latest barometer of corporate customer satisfaction measures perceived progress in the quality of follow-up and assistance provided by the business centres. Regional access to centres of expertise (Trade Centers; dealing rooms) is also very well received.

SA Mainland

BNP Paribas and the European Investment Bank (EIB) signed the first refinancing agreement for EUR 300 million in October 2008.

The signing of the first EIB loan to SMEs by BNP Paribas took place at the laboratory premises of Prodene Klint, an innovative small business client of the Group and the first enterprise to benefit from this loan. The EIB SME loan terms are simple and flexible, and enable European banks to finance all kinds of investments and expenditures, for tangible and intangible assets and working capital, needed for development by companies of fewer than 250 employees. Providing financing of this kind is proof of the Group's determination to do its utmost to cushion the effects of financial shocks to the real economy throughout Europe.

Outside France, BNP Paribas also contributes to the financing and development of the local economy through its local banking network. The Group takes steps to ensure that local employees are promoted to positions of responsibility. The number of expatriate posts is intentionally restricted.

Group

### 27. Outsourcing and the Bank's policy with subcontractors: steps to ensure that subcontractors comply with International Labour Organization (ILO) standards

Since 2002, the majority of contracts negotiated and signed by ITP's purchasing department include clauses that require compliance with fundamental International Labour Organization (ILO) standards or with principles of labour law in the country where the agreement is signed, when those principles are stricter than ILO standards. For those contracts not yet covered, CSR clauses are being introduced progressively.

To promote transparency, the purchasing department has set up a dedicated suppliers' portal on the Group's website, which makes specific reference to sustainable development and compliance with ILO standards. For more information, go to <http://fournisseur.bnpparibas.com/deven.htm>.

CRBF Regulation 97-02 clauses are always included in subcontracting agreements signed by ITP's purchasing department.

Going against the grain of the widespread trend toward outsourcing of information technology functions, BNP Paribas has opted for a novel solution by forming a joint venture with IBM France to operate the Group's IT systems. This strategic alliance answers the call for controlling and reducing IT costs while preserving a centre of excellence with leading-edge technology in France. Thanks to this original partnership, BNP Paribas was able to stay in command of its technological capabilities while still ensuring a painless transition for the employees involved, since all were able to retain the individual and collective benefits associated with their previous status.

Group

### 28. Steps taken by the Bank to ensure that subsidiaries comply with ILO standards

The purchasing department performs, gathers and audits all the major outsourcing agreements entered into locally by Group entities worldwide. Based on the 2006-2007 audit, recommendations were made to the entities regarding necessary updates.

Group Compliance sent a notice to all Group entities reminding them of the rules that apply to subcontracting and the clauses that must be part of subcontracting agreements. The subsidiaries and entities are responsible for seeing to it that these directives are followed properly.

In addition to the management controls required by the Group's internal control system, internal audit and inspection teams are also responsible for ensuring compliance with these directives. In 2008 the Group's CSR audit methodology was overhauled: the reference documents and methodology guides were updated to take more systematic account of the problems and issues that Group entities encounter in France and other operating territories.

An ethics alert mechanism enables all employees to report any compliance risks they may come up against.

Group

### 29. Steps taken by foreign subsidiaries to address the impact of their business on regional development and local communities

All Group subsidiaries are part of a business line and must contribute to fulfilling its strategy, implementing its policies and exercising its social responsibility.

The levels of remuneration which BNP Paribas provides to its employees, particularly in emerging countries, and benefits such as health insurance and death/disability coverage, help raise the standard of living in the employees' families and communities.

The Group makes only limited use of expatriate staff, giving local staff the opportunity to take up managerial functions and other positions of responsibility.

Group

# NRE Appendices – Environmental chapter

NRE indicators - Environmental - Year 2008

Scope for 2008

## 1. Water consumption

The data gathered on water consumption in 2008 represented 41% of the staff concerned in mainland France. On this sample population, water consumption per NPP employee (see the definition of NPP in section 4 of the NRE Social appendix) was 17 cu.m.	France: IC Ile de France + branches
In other countries, water consumption statistics are compiled for less than 50% of the Group outside France. As examples, though, water consumption was 16 cu.m per NPP in Spain, 31 cu.m per NPP in the United States, and 42 cu.m per NPP in Italy and Morocco.	International: data from 10 countries

## 2. Raw material consumption

For a financial services group, paper is the main raw material consumed.	
Overall paper consumption in France, including paper rolls used at printing centres, envelopes and paper purchased by printers for BNP Paribas print jobs amounts to 9,580 tonnes. On this basis, paper consumption per employee comes to 157 kg per NPP.	France: IC + Subsidiaries + French Retail Banking network
In other countries, the waste paper collection process is being expanded and has become more reliable. For example, consumption per NPP is 145 kg in Italy, 101 kg in the United Kingdom and 70 kg in Turkey.	International: Italy, United Kingdom, Turkey
In France, across the entire branch network, measures to reduce paper consumption have been taken, such as: <ul style="list-style-type: none"> <li>• optimising printing: decreasing the number of pages, eliminating the printing of multiple standard copies, printing on both sides of the page;</li> <li>• expanding telemarketing and use of the internet in place of hardcopy mailings;</li> <li>• lengthening statement periods for certain printed statements;</li> <li>• offering a number of notices and statements in electronic form;</li> <li>• eliminating unneeded paper documents.</li> </ul>	
A project to optimise and pool printing activities was begun in 2008. Optimisation of printing activity is organised by groups of projects that involve employees from different Group entities.	France: French Retail Banking network
In France, consumption of products labelled as environmentally friendly in the catalogue of listed suppliers accounts for about 22% of the Group's purchases of office supplies.	France

## 3. Energy consumption

The Group's electricity consumption in France, excluding power from renewable energy sources, is 306 GWh, representing average consumption of 173 kWh per square metre.	France
A calculated average consumption figure for the Group's sites in the rest of the world is not relevant owing to the disparity of the situations, especially between northern and southern countries.	International: 21 countries

## 4. Measures taken to improve energy efficiency

See the CSR Report under <i>Impact on the natural environment</i>	
With the ITP organisation, which brings together the management of facilities, purchasing and information systems, the Group defines and implements a coordinated general environmental management policy.	France
In connection with ISO 14001 certification of the 1,350 branches in France fitting the Accueil et Service concept, an environmental analysis identified energy consumption as a significant environmental impact. A target of a 15% reduction in the branches' energy consumption was set for 2011. Two approaches have been defined to meet this objective. The first is to improve the installed equipment and control settings based on studies of the technical specifications recommended at the time of installation: optimise lighting; replace electrically heated air curtains with curtains of warm air supplied by the heat pump; standardise power ratings of air conditioning installations based on geographic location; analyse life cycles of building façade signage; manage exterior illumination of branch fronts by time of day, turning it off at night. The second approach is to go after energy efficiency at the branches, that is, to automate control of lighting, heating and air conditioning systems as a function of ambient temperatures inside and out.	France: 1,350 branches of the French Retail Banking network
At branch offices in France, energy management systems have been implemented across the entire network in a two-phase process. The first phase is mapping energy use at the site: assessing the state of the property, gathering historical consumption data and other property information. The second phase is performing a diagnostic examination of energy performance and an energy monitoring audit on the recommended actions. In 2008 a number of specialist firms in energy management were consulted and tested.	France: buildings in Ile de France
The parking facility of a shopping centre in Nantes renovated by Klépierre is now equipped with a photovoltaic solar power system. It produces power equivalent to the annual electricity consumption of 80 households. The shopping centre itself is equipped with about a hundred glass cones on the roof to admit more natural light and limit the need for artificial lighting.	France: Nantes
The NightWatchMan Program, introduced three years ago in London, enables an IT department to power up and power down work stations at a remote site at chosen times. Work stations are shut down in the evening after daily updates and turned back on in the morning before employees arrive. The objective is threefold: economise on energy, become more environment-friendly, and cut costs unobtrusively. This programme is currently being deployed in other territories such as Singapore, Brussels, Milan and Tokyo and in other BNP Paribas subsidiaries.	International: United Kingdom, Japan, Singapore, Italy, Belgium

## 5. Use of renewable energy sources

A portion of the Group's electricity in France is supplied by an operator who is contractually obliged to provide 15% of it from renewable energy sources.	France
--	--------



Internationally, some subsidiaries have taken the initiative locally to buy green power. For example, 20% of the electricity bought by Bank of the West in the United States is from renewable sources.

The first bank branch with self-sufficient photovoltaic solar power went into service in Rome in 2008.

Data on actual Group purchases of electricity in France, the United Kingdom and Italy has made it possible to analyse the market and the possibilities for expanding the use of renewable energy. Owing to the heterogeneity of power sources marketed as "green energy" and the current higher costs, the Group is not setting a global target for green power consumption at this time. The priority today is to reduce electricity consumption with an immediate impact on the environment.

United States, Italy,  
United Kingdom

6. Land use

For each project, BNP Paribas Immobilier engages a specialised consulting firm to conduct a diagnostic review of the extent of soil contamination. A soil identification programme is defined, contamination studies are performed using tests and analyses, and a soil report is drawn up. BNP Paribas Immobilier relies on the diagnosis to carry out any clear of pollution work required to ensure that the soil meets all applicable regulatory standards.

In addition to these initiatives, the Group applies environmental housing certification provisions to numerous BNP Paribas Immobilier programmes. These entail containing pollution-related problems with a view to meeting the objectives required in terms of health, ecological balance and comfort of use.

BNP Paribas Real Estate Property Management, a subsidiary of BNP Paribas Immobilier, has issued an international charter, Ecoproperty Management®, with the objective of helping to combat global warming by reducing CO<sub>2</sub> emissions from buildings over the course of their service lives. Solutions are offered for existing buildings where consumption cannot be optimised by design. The Grands Moulins de Pantin renovation project has won HQE certification of its planning phase; it is one of the very first renovations to be so certified. The 30,000 sq.m. Haussmann-style building on rue Bergère in Paris has also received certification for its development and design phases. These two buildings are to be used by BNP Paribas.

Klépierre systematically assesses its environmental impact when building new shopping centres. This subsidiary has installed equipment such as distributed water meters in its shopping centres in order to improve management of water, energy and fluid consumption.

France

7. Emissions into air, water and soil

Effluents into water and soil are not taken into account as they are not significant.

Ongoing indicators have been put in place to enable the Group to calculate its CO<sub>2</sub> emissions for the year 2008.

The available data do not permit this survey to be performed on the full scope of consolidation, but it has been extended to several sizeable territories outside France.

The data collected relate to electricity consumption, work-related travel by car, train and air, and in France, commuting between home and office. These data can be used to estimate emissions of CO<sub>2</sub> equivalent per employee:

- France: 2.59 tonnes of CO<sub>2</sub> equiv. per NPP
- Norway: 3.43 tonnes of CO<sub>2</sub> equiv. per NPP
- Italy: 4.58 tonnes of CO<sub>2</sub> equiv. per NPP
- United States: 5.72 tonnes of CO<sub>2</sub> equiv. per NPP
- Great Britain: 5.91 tonnes of CO<sub>2</sub> equiv. per NPP

The methods of calculation chosen take into account emissions generated by the production, transmission and consumption of energy. For electricity, the primary energy source used by the producer is taken into account. For air travel, the factors considered are fuel consumption, average load factors, the distinction between short-, medium- and long-haul flights, and which class in the passenger cabin was occupied. For travel by car, the methodology assesses emissions based on miles travelled, rated horsepower of the vehicle and type of fuel.

For France, commuter trips were estimated using three concentric circles, one for employees living in the city, a second for those living in near suburbs or just outside a provincial city, and a third for those living in an outer ring of suburbs or a rural area. Emissions generated by these trips were then estimated based on the type of transport used. The statistical margins of error of these estimates, not reflecting errors attributable to imperfect reliability or completeness of the data, are as follows:

- Electricity: 10%
- Travel by vehicle in km: 10%
- Travel from home to work: 20%
- Travel by air: 20%

France, United Kingdom,  
United States,  
Italy and Norway

8. Noise and odour pollution

No complaints relating to noise or odour issues were filed against the Group in 2008.

BNP Paribas Immobilier always studies the environmental impact of its projects from the standpoint of noise and odours and engages in dialogue with occupants of the surrounding area.

Where technical equipment can be a source of noise pollution, the company selects models offering the best available acoustic performance. Specific testing is carried out following construction and, if required, additional measures are taken to comply with applicable noise regulations. The location of air intake and discharge vents is designed with regard to neighbouring buildings and dominant wind patterns. The construction methods and equipment used, as well as the management of construction waste, are specified so as to minimise the impact of construction work on the immediate environment.

Group

9. Waste processing

In France, the system for collecting used toner and ink cartridges in association with Conibi, the industrial association of toner cartridge producers, is still in place. The quantity of cartridges collected rose in 2008 to 95,408.

France

Data collection outside France has increased in scope and become more reliable, but it remains below 50%. However, the collection rate on recycling of used toner and ink cartridges is 100% at some entities in the United States and the United Kingdom and 95% in Ukraine. International

In France, collection of paper and paperboard for recycling is also on the increase. In 2008, 98% of waste paper and paperboard collected was sent for recycling.

At offices in the Greater Paris area, the Corbeille Bleue company collects and sorts the office waste bins; paper waste is used for district heating or recycled to make packaging cartons and paper pulp.

Most of the Group's Paris head office buildings are now equipped with dual bins, for paper and all other waste, and a clause requiring separate collection has been included in cleaning company contracts. France: IC Ile de France

In other countries, waste paper collection is not yet being measured on a significant scope.

The aluminium sockets and the glass from fluorescent light bulbs used in most offices are recycled and the gas is reprocessed. International

In France, collection of Waste Electrical and Electronic Equipment (WEEE) at BNP Paribas SA is done in a way that provides measurements of these flows.

As part of the Greening IT programme, the Centre for Innovation and Technology (CIT) finalised the Second Life PC project in October 2008. This project is recycling more than 200 computers, complete with Windows XP licences, Microsoft Office software, and new keyboards and mice, by providing them to non-profit associations such as Emmaus, Restos du Coeur, Secours Catholique and ADIE.

The Asset Management and Services division has its used computers reconditioned by an association called Ateliers San Frontières.

Reconditioned computers of the division's entities in France are returned to it. Computers in working condition are sent to Romania or to countries in North Africa to meet local equipment needs. France

#### 10. Measures taken to avoid damaging the biological balance

As part of its CO<sub>2</sub> survey, the Group identifies processes that could harm the environment – for example the use of refrigerants at its Paris head office buildings – in order to reduce their use.

Means for detecting the presence of asbestos in buildings are implemented as part of the asbestos action plan. Diagnostic reviews of materials are carried out before launching any renovation work in France. These reviews complement the technical recommendations drawn up previously and distributed to BNP Paribas sites. Air quality and water quality are measured on a regular basis.

In France, a survey to identify sites that could be equipped with photovoltaic panels or solar hot water heaters is in progress.

Two innovative air conditioning systems have been installed: an adiabatic air-cooled chiller, which combines the closed-tower technique down to 27° C with misting in humidification spaces thereafter, has been installed in Levallois, and a magnetic-lift centrifugal chiller has been installed in the Rue Bergère building in Paris. France

#### 11. Measures taken to ensure compliance with legal requirements

BNP Paribas continuously strives to meet the highest standards of ethical behaviour, compliance, risk management and internal control. Within a changing banking environment characterised by increasing regulatory requirements, the global Group Compliance (CG) function, whose director reports directly to the Chief Executive Officer, has broad powers throughout the Group. Group Compliance distributes Group-level directives regarding permanent control and monitors the development of the mechanism in the Group's entities.

Guidelines have been drawn up to ensure that buildings are managed in accordance with technical regulations applicable in France.

Outside France, guidelines are drafted based on the most stringent regulations of countries in which BNP Paribas operates. These guidelines apply at all international sites. Before a company acquisition is made, a property audit of all new head office buildings is conducted.

Group Legal Affairs monitors changes in environmental laws and regulations. Clauses covering the corporate and environmental responsibility of suppliers are systematically included in service agreements.

In 2008 the Group's CSR audit methodology was overhauled: the reference documents and methodology guides were updated to take more systematic account of the problems and issues that Group entities encounter in France and other operating territories.

In 2008 the Group's Environmental and Social Responsibility organisation was put under the authority of a member of the Executive Committee, the Group's Managing Director in charge of Compliance and Internal Control Coordination. Group

#### 12. Steps taken towards environmental evaluation and certification

BNP Paribas is present in the leading SRI benchmark indices: DJSI World, DJSI Stoxx, Aspi Eurozone, FTSE4Good Global 100 Index, FTSE4Good Europe 50 Index and FTSE4Good Environmental Leaders Europe 40.

Although the Group's inclusion in these indices represents neither an evaluation nor a certification, it nevertheless provides a positive indication of BNP Paribas' compliance with the requirements for corporate social and environmental responsibility.

As in previous years, the extra-financial part of the CSR has been reviewed by an external auditor with regard to the most significant themes and disclosures.

The retail banking network in France obtained ISO 14001 environmental certification for the Accueil et Services branch model. This is the first time that a network of banking branches in France has received such recognition for environmental excellence.

At BNP Paribas Immobilier Promotion Immobilier d'Entreprise in France, five projects in the programme phase and four projects in the design phase have received the High Environmental Quality label (HQE) issued by CERTIVEA and certified by AFNOR.

The HQE-certified Mermoz programme has also received certification under the Building Research Establishment Environmental Assessment Method Ltd. (BREEAM) in the United Kingdom.

At the time of the first Salon du Bâtiment Performant efficient ecobuilding trade show, BNP Paribas Immobilier Promotion Immobilier d'Entreprise received the Constructeo 1st prize trophy in the renovation category, awarded for office building performance. Group and France

**13. Expenditures incurred to prevent environmental consequences of business activity**

The Group's operations, which involve banking and financial services, have limited direct consequences on the environment.

The Group has since 2004 focused on ten principles for fulfilling its environmental responsibilities and taking preventive action. The cost of these cross-functional measures has not yet been specifically calculated.

Criteria for purchasing or leasing a building include its proximity to existing sites and to public transport.

To cut costs and improve efficiency, BNP Paribas is expanding its use of videoconferencing systems. Videoconferencing should be considered prior to making any trips. Videoconferencing equipment is being installed at the Group's main sites. Public transport is recommended for employees, and rail travel is favoured over air travel. Some Group entities have implemented a system of supplementary financial participation for employees who take public transport.

Group

The following measures apply to the fleet of 4,200 company vehicles managed by the Group in France: systematic choice of vehicles with good ratings in terms of CO<sub>2</sub> emissions; 95% of fleet vehicles equipped with diesel engines; almost all fleet vehicles classed in segments 1 or 2, with CO<sub>2</sub> emissions between 110 and 130 g/km; no petrol engines in segments 1 and 2; fleet management optimised by vehicle pooling and onboard GPS equipment to reduce overall energy consumption. Beginning in 2008, the automobile fleet manager offers hybrid petrol/electric vehicles with CO<sub>2</sub> emissions of 104 g/km or less.

France

**14. Internal department for environmental management**

The ITP organisation, formed in 2007, is in charge of assessing the Group's environmental impacts and taking steps to reduce them.

This function is responsible for providing the entities throughout BNP Paribas with procedural, IT, property, purchasing, security and individual support services to help to improve the Group's operational efficiency. Following adoption of the Equator Principles in 2008, a dedicated team has been formed within CIB to write and distribute specific procedures for all covered transactions and provide training of project finance teams.

Group

**15. Environmental training and information programmes for employees**

All the Group's internal communications channels – its website, the Ambitions in-house newsletter, the monthly Sustainable development newsletter, as well as conventions and other company events – are used to promote social and environmental responsibility.

In December 2008 the Group launched the blog [www.forachangingworld.com](http://www.forachangingworld.com) for exchanges between all stakeholders, including employees, regarding the Group's commitments to public interest causes.

In 2008 several communication activities were conducted to inform, to develop awareness and to train employees. Examples include:

- Arval offers environmentally conscious driving training to employees in France and abroad who want it.
- Klépierre's Scandinavian subsidiary, Steen & Strom, established the CR Academy to train its employees in sustainable development. This virtual academy is an e-learning platform that offers three modules, one on each dimension of sustainable development: environmental, social and economic. 94% of the employees of the Klépierre group in Norway, Sweden and Denmark have participated in one of these modules.
- The Centre for Innovation and Technology launched an exchange platform to spread best practices in green technology in France and abroad. This forum, opened in November 2008, is helping to make BNP Paribas' IT systems more environment-friendly.
- In 2008 the Group launched a carpooling website for the nearly 33,000 employees in the Paris region. Within days after the launch, more than 1,000 people had signed up.
- In May 2008 BNP Paribas Canada participated in the Climate Challenge campaign to raise companies' awareness on climate change. A majority of employees in Montréal and Toronto mobilised for this event.

Group

**16. Resources devoted to the reduction of environmental risks**

BNP Paribas has a Carbon Finance team dedicated to researching and promoting market solutions for corporate clients wishing to fulfil their obligations to reduce greenhouse gas emissions in accordance with the Kyoto protocol and European Directives on CO<sub>2</sub> emission quotas. As a financial institution, BNP Paribas plays a role in facilitating the operation of markets of this kind and fostering their development.

BNP Paribas is a member of the French association Entreprises pour l'Environnement (EpE – companies for the environment) and participates in its working groups.

The Group entered into two new agreements to purchase Certified Emission Reductions (CERs), expanding its platform of international markets in the environmental domain. The Group funds two projects, in Mexico and India, within the scope of the Clean Development Mechanism (CDM). These investments are in addition to BNP Paribas' current CER portfolio.

BNP Paribas' Innovation and Technology Centre (CIT) within ITP has launched a Greening IT programme to limit the CO<sub>2</sub> emissions of its IT facilities. CIT carries out assessment and design projects that take into account technological advances such as the use of renewable energy sources.

BNP Paribas retains its leading position in the European market for trading greenhouse gas emission quotas, having increased its market share in 2008.

Group

**17. Structure to deal with pollution incidents extending beyond the company**

Any crisis situation is managed by an ad hoc committee composed of the Group's top executives. This committee takes the measures it deems most appropriate and informs the operating entities concerned. If the scale of the crisis warrants, information may be passed on to the entire Group, and there may be a call for solidarity. As part of the process of validating the operational risk model in 2008, in-depth work was done to define and strengthen the Business Continuity Plan, in particular in the event of pollution or accident.

Group

**18. Amount of provisions and guarantees covering environmental risks**

USD 3.4 million. The provision is for private litigation and is not intended to cover any penalties for non-compliance with regulations.

Group

**19. Amount of compensation paid following legal decisions relating to the environment**

The Group has not had any court rulings on environmental matters.

Group

**20. Environmental objectives set for foreign subsidiaries**

BNP Paribas' guiding principles, notably the Global Compact and the ten principles in the Group's environmental responsibility charter, apply to all employees regardless of the business entity or country in which they are employed. The businesses are responsible for implementing the Group's guiding principles throughout their reporting organisations, including subsidiaries, in all territories.

The General Inspection and Sustainable Development units have designed an audit methodology for corporate social and environmental responsibility to measure the Group's compliance with its environmental guidelines. In 2008 this methodology was completely overhauled: the reference documents and methodology guides were updated to take more systematic account of the problems and issues that Group entities encounter in France and other operating territories. The auditors have full access to information and can perform any type of audit with complete independence in any of the consolidated subsidiaries. Audit findings and results of inspection assignments are presented in an annual report sent to the Commission Bancaire in accordance with its requirements.

Group

# Review Report

by one of the statutory auditors on the process used by BNP Paribas group to compile social data and on selected sustainable development data and issues

**This is a free translation into English of the review report by one of the Statutory Auditors issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.**

PricewaterhouseCoopers Audit  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

Further to your request and in our capacity as Statutory Auditor of BNP Paribas, we have performed a review enabling us to express moderate assurance on the process used to compile social data, and on selected sustainable development data and issues relating to 2008, which are presented in the Group's CSR Report.

The procedures used to compile social data, as well as the selected sustainable development data and issues appearing in the CSR Report, were drawn up under the responsibility of BNP Paribas' Corporate Social and Environmental Responsibility Department. Our responsibility is to form a conclusion on the process used for compiling such data and on the selected sustainable development data and issues, based on our work.

## Nature and scope of our work

We performed the procedures described below to obtain moderate assurance as to whether the process for compiling social data and the selected sustainable development data and issues are free of material misstatement. A higher level of assurance would have required us to carry out more extensive work.

■ As regards the process for compiling social data, we reviewed the relevant organisational system, the appropriateness, reliability, objectivity and clarity of the procedures in place, and the dedicated reporting tools.

This work was performed on the basis of interviews and consistency tests:

- At head office with:
  - various representatives of the Group Human Resources (GHR) function in charge of social reporting;
  - the members of the Corporate Social and Environmental Responsibility Department
- At Group entities with the officers in charge of social reporting at:
  - BNP Paribas Frankfurt
  - BNL Rome
  - BMCI Casablanca.

■ As regards the selected sustainable development data and issues, we reviewed the consistency and substance of the issues described in the CSR Report and the organisational system in place, existing procedures, available documents and dedicated reporting tools.

This work was performed on the basis of interviews and consistency tests:

- For information on "Gender equality in the workplace" (pages 61 to 62 of the CSR Report), with:
  - the Head of Diversity within the Group HR function – Career development.
- For information on "A deeper commitment to microfinance" (pages 96 to 97 of the CSR Report), with:
  - the Head of Group Microfinance and the Project Coordinator.
- For information on "Micro financed business start-ups in partnership with Adie" (pages 98 to 99 of the CSR Report), with:
  - the Manager within the BNP Paribas Foundation.
- For information on "Financing renewable energy projects" (page 91 of the CSR Report), with:
  - the Business Manager of Energy & Commodities Structured Debt, Europe, Middle East & Africa.



- For information on “Preventing the impact of real estate operations” (page 87 of the CSR Report), with:
  - the Chief Operating Officer of Meunier Immobilier d’Entreprise and the Communications Director (France) of BNP Paribas Immobilier.
- For information on “Accueil et Services Branches receive ISO 14001 certification” (page 88 of the CSR Report), with:
  - the Quality and Customer Relations Manager of FRB.
- For the data on “Workforce evolution” and the “Group age pyramid” (pages 49 to 50 of the CSR Report), with:
  - the Social Reporting Manager within the Group HR function.

In performing our work, we were assisted by members of our teams specialised in sustainable development issues.

### Conclusion

Based on our review no material irregularities came to light causing us to believe that the process for compiling social data and the related reporting procedures, and the consistency of the selected sustainable development data and issues, do not comply with the Group’s reporting instructions for 2008.

Neuilly-sur-Seine, 11 May 2009

One of the Statutory Auditors  
PricewaterhouseCoopers Audit

Partner of the Sustainable Development  
Division of PricewaterhouseCoopers  
Advisory

Étienne Boris

Sylvain Lambert

# Table of Concordance

Report on Environmental and Social Responsibility	Pages	Article 116 of the French NRE Act*	Principles of the Global Compact	Global Reporting Initiative**	UNEP***
STATEMENT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER	p. 02			1.1, 1.2, 4.8	
PRESENTATION OF THE BNP PARIBAS GROUP	p. 03-23				
THE GROUP'S APPROACH TO CORPORATE SOCIAL RESPONSIBILITY	p. 24-32				
Responsibility based on core values and guiding principles	p. 25			1.2, 4.11	2.3
A strong commitment to sustainable development	p. 25-26			4.11-4.13	3.3
Combining CSR and economic performance	p. 27-29			1.2, 4.11-4.13	2.3
Recognition from SRI rating agencies	p. 29-30	Art. 2 - 4°	N°8	1.2	2.3 & 2.6, 2.2
Organised dialogue with stakeholders	p. 31-32				
SHAREHOLDER RELATIONS	p. 33-45				
HUMAN RESOURCES DEVELOPMENT	p. 46-68				
Group values underpinning HR management	p. 47	Art. 1 - 1°-a /7°	N°4, N°5	4.8; MA: LA; MA: HR	
Human Resources policy framework	p. 47-50	Art. 1 - 1°-a /7°		2.5, 4.8, 2.8; MA: LA; MA: HR/ HR 5; MA: LA/LA1	
Key challenges of human resources management	p. 50-68				
Adapting quantitatively and qualitatively the workforce	p. 51	Art. 1 - 1°-a /7°, Art. 1 - 1°b		MA: LA/ LA1/LA2	
Ensuring recruitment that meets the specific needs of each business	p. 51-53			MA: LA/ LA1/LA2	
Developing skills of employees and teams	p. 53-54	Art. 1 - 1°-a /7°, Art. 1 - 6°		MA: LA/ LA10-12	
Building loyalty with competitive remuneration	p. 54-56		N°1	MA: EC	
Dynamic career and mobility management	p. 56-58			MA: LA/LA 2	
Promoting diversity in all its forms	p. 58-64	Art. 1 - 1°-a /7°, Art. 1 - 3°	N°1, N°6	MA: LA/LA 13-14; MA: HR/HR 3-4; MA: EC/EC 7	
Protecting employee health	p. 64-66	Art. 1 - 5°	N°1	MA: LA/LA 7-9	
Maintaining a qualitative social dialogue	p. 66-67	Art. 1 - 4°	N°1/N°3	MA: LA/LA 4; MA HR/HR 5	
Deploying a global change management scheme	p. 67-68			4.14-4.17	
RELATIONS WITH CLIENTS AND SUPPLIERS	p. 69-81				
A closely attuned relationship	p. 70-75	Art. 2 - 3°	N°9	MA: EC/EC1/EC2; MA: EN/EN6; MA: SO/SO1, MA: PR/PR1/PR3/PR5	3.2, 2.3 & 2.6, 2.7
Socially Responsible Investment	p. 75-80	N°9, N°1/N°2		MA: EC/EC1/EC2; MA: EN/EN26; MA: HR	3.2, 2.7
Suppliers relations	p. 80-81	Art. 1 - 9° & Al. 4	N°1, N°2, N°9	MA: EC/EC6; MA: EN; MA: HR/HR1; MA: PR/PR1	3.2, 2.4, 2.7
IMPACT ON THE NATURAL ENVIRONMENT	p. 82-94				
Action areas	p. 83-86	Art. 2 - 6° & 9°, Art. 2 - 1°	N°7, N°8	4.8; MA: EN/EN 1/EN 2/EN 3/ EN 4/EN 6/EN 7/EN 16/EN 17/EN 18/EN 22	2.1, 2.4
Levers	p. 87-89	Art. 2 - 6° & 9°, Art. 2 - 1°	N°7, N°8	4.8; MA: EN/EN 1/EN 2/EN 6/EN 14 /EN 26	2.1, 2.4
Means of action	p. 90-94	Art. 2 - 6° & 9°	N°1/N°2, N°8, N°9	4.8; MA: EN/EN 6/EN 26; MA EC/EC 2	2.1, 2.4, 2.2, 2.7
A PARTNER IN SOCIETY	p. 95-106				
A deeper commitment to microfinance	p. 96-98	Art. 1 - 8°, Art. 1 - Al. 2, 3 & 5	N°1, N°6	4.8, 4.12-4.17; MA EC/ EC 8/EC 9	
Projets Banlieues, three years on	p. 98-99	Art. 1 - 8°, Art. 1 - Al. 2, 3 & 5	N°1, N°6	4.8, 4.12-4.17	
BNP Paribas Foundation: imaginative and active support	p. 100-106	Art. 1 - 8°, Art. 1 - Al. 2, 3 & 5	N°1, N°6	4.8, 4.12-4.17; MA: EC/EC1/EC 6	
CORPORATE GOVERNANCE	p. 107-150		N°6, N°10	1.2, 3.1-3.7, 3.10-3.11, 4.1-4.7	2.3
The Board of Directors	p. 108-110				
Report of the Chairman	p. 111-148				
Internal Control	p. 134-141		N°6, N°10	3.1-3.7/3.10-3.11, 4.6, 4.9-4.10	2.3
Limitation of the powers of the Chief Executive Officer	p. 141		N°6	3.1-3.7	2.3
Internal control procedures relating to the preparation and processing of accounting and financial information	p. 141-148		N°6	3.1-3.7, 3.13	2.3
Executive Committee	p. 149-150				2.3
COMPLIANCE	p. 151-154		N°6 - N°10	1.2; MA: SO/SO4	2.3
REVIEW REPORT BY ONE OF THE STATUTORY AUDITORS	p. 165-166			3.12-3.13	

\* The NRE appendices, pages 155 to 164, mention elements of reporting under the French NRE Act.

\*\* MA : management approach defined in the guiding lines GRI G3 ; EC : Economy ; EN : Environment ; IP : Responsibility regarding products ;

LA : Employment, social relations and work; HR : Human Rights ; SO : Company.

\*\*\* UNEP Statement by Financial Institutions on the Environment and Sustainable Development.

# Glossary

<b>Accretion</b>	Reverse of dilution. Accretion is where a corporate action (share buyback or issue of shares in a smaller proportion than the increase in income following a merger or public tender offer, for example) leads to an increase in earnings per share.
<b>ADR (American Depositary Receipt)</b>	Negotiable certificates representing one or several shares. Their face value is stated in dollars and interest is also payable in dollars. ADRs allow American investors to buy shares in foreign-based companies that are not quoted on an American Stock Exchange.
<b>AMS</b>	Asset Management and Services.
<b>Arbitrage</b>	Activity that consists of attempting to profit by price differences on the same or similar financial assets. For example, in the case of a takeover bid, where the predator offers a price that exceeds the price at which the target's shares are trading.
<b>Attribution right</b>	The right to receive bonus shares issued in connection with a capital increase paid up by capitalising retained earnings. Attribution rights are quoted.
<b>Avoir fiscal</b>	Dividend tax credit available to individual shareholders resident in France on the dividends distributed by French companies. The purpose of the tax credit is to avoid double taxation of distributed earnings, in the hands of the company and the shareholder. The <i>avoir fiscal</i> granted to individual shareholders resident in France is equal to one-half of the net dividend. It is deductible from personal income tax. If the <i>avoir fiscal</i> cannot be set off against taxable income, it is refunded by the French Treasury.
<b>B2B or BtoB</b>	Business to Business: sales of products or services by one company to another.
<b>B2C or BtoC</b>	Business to Consumer: sales of products or services by a company to a consumer.
<b>B2E portal</b>	Intranet site for Group employees. The home page includes a browser, links to services and a wealth of information concerning the various functions within the Group, practical information for employees and career information.
<b>Back office</b>	Department responsible for all administrative processing.
<b>BNL bc</b>	BNL banca commerciale (formerly Banca Nazionale del Lavoro).
<b>Bond/Debenture</b>	Debt security whereby the issuer undertakes to pay the lender a fixed capital sum at a specific future date, plus twice-yearly or annual interest payments. Interest payments — generally at fixed rates — may vary over the life of the bond. Debentures are unsecured bonds.

<b>Capital</b>	Amount of cash or assets contributed by shareholders, plus any profits, retained earnings or premiums transferred to the capital account. The capital may be increased or reduced during the life of the company.
<b>Capital increase</b>	A method of increasing a company's shareholders' equity. The capital may be increased by issuing new shares for cash or in exchange for assets, such as shares in another company. Alternatively, it may be increased by capitalising additional paid-in capital, retained earnings or profits and either raising the par value of existing shares or issuing new shares without consideration. Existing shareholders may have a pre-emptive right to subscribe for the new shares or this right may be cancelled. A capital increase may be carried out to give new investors an opportunity to become shareholders. All capital increases must be authorised in advance by the shareholders, in Extraordinary General Meeting.
<b>Cash flow</b>	Cash generated by operations that can be used to finance investment without raising equity or debt capital.
<b>CECEI</b>	<i>Comité des Établissements de Crédit et des Entreprises d'Investissement</i> : Committee headed by the Governor of the Banque de France responsible for monitoring the proper operation of the French financial and banking system.
<b>CIB</b>	Corporate and Investment Banking, one of the BNP Paribas Group's core businesses.
<b>Comité Consultatif des Actionnaires</b>	Shareholder Consultation Committee. A group of individual shareholders selected to advise the company on its communications targeted at individual shareholders. The BNP Paribas <i>Comité Consultatif des Actionnaires</i> was set up in the first half of 2000, at the time of the merger.
<b>Consolidated net income</b>	Net income of the Group after deducting the portion of the profits of subsidiaries attributable to minority shareholders.
<b>Convertible bond</b>	Bond convertible into the issuer's shares on terms set at the time of issue..
<b>Corporate governance</b>	Series of principles and recommendations to be followed by the management of listed companies.
<b>Coupon</b>	The coupon represents the right of the holder of a security to collect an amount corresponding to the revenue distributed on the security for a given year.
<b>Custody fee</b>	Fee received by a bank or broker to hold and service securities recorded in a securities account. Custody fees are payable annually in advance. They are not refunded if the securities are sold during the year, but no fees are payable on securities deposited during the year until the beginning of the next year.
<b>CVR (Contingent Value Rights Certificate)</b>	Financial instrument generally issued in connection with the acquisition of a listed company, guaranteeing the value of the underlying security at a pre-determined date. The CVR entitles the shareholder of the target to receive an amount equal to the positive difference between the offer price and a "reference" price.
<b>Derivatives</b>	Contracts whose value is based on the performance of an underlying financial asset, index or other investment, used to hedge or profit from future changes in the value of the underlying.
<b>Dilution</b>	Impact on the rights attached to a share of the issue of securities (in connection with a capital increase, a merger, a stock-for-stock tender offer or the exercise of rights), assuming that there is no change in the total income of the issuer.
<b>Dividend</b>	Portion of net profit that the Annual General Meeting decides to distribute to shareholders. The amount of the dividend is recommended by the Board of directors. It represents the revenue on the share and the amount can vary from one year to the next depending on the company's results and policy.
<b>EONIA</b>	Euro OverNight Index Average.
<b>EUREX</b>	A derivatives market.

<b>EURIBOR (EUROpean InterBank Offered Rate)</b>	The most commonly used money-market rate in the eurozone.
<b>Euroclear</b>	Formerly Sicovam. Clearing house for securities transactions.
<b>Euronext SA</b>	Company that operates the Paris, Brussels and Amsterdam Stock Exchanges. Euronext SA establishes market rules, decides to accept or reject listing applications and manages all trading technologies.
<b>FCP (<i>Fonds Commun de Placement</i>)</b>	Fund invested in stocks, bonds and/or money-market securities. A FCP is similar to a SICAV, but is not a separate legal entity. FCPs are generally smaller than SICAVs and are easier to manage. They are subject to less restrictive regulations and can be more specialised.
<b>FRB</b>	French Retail Banking.
<b>Free cash flow</b>	Cash available after financing operations and investments, available to pay down debt.
<b>Free float</b>	The amount of capital which is not under the control of stable shareholders. In other words, capital that can be freely bought and sold and is therefore available to investors, excluding for example shares held by the State, or shares that are subject to shareholders' pacts and so on. On 1 December 2003, the stocks that make up the CAC 40 index became weighted according to their free floats, as opposed to their market capitalisations. This change was born out of a desire to be consistent with the major world market indexes which already function in this manner, and to ensure greater comparability between industries and shares. BNP Paribas has a free float of 95% – one of the highest on the Paris stock market.
<b>Gain/loss on securities</b>	Positive/negative difference between the sale price of a security and the purchase price.
<b>Goodwill</b>	Difference between the cost of shares and the Group's equity in the fair value of the underlying net assets.
<b>Hedge funds</b>	Funds that take both long and short positions, use leverage and derivatives and invest in many markets.
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards.
<b>IFU (<i>Imprimé Fiscal Unique</i>)</b>	French tax return issued by a bank or broker, listing all the securities transactions carried out on behalf of the taxpayer and all the coupon payments made to the tax payer.
<b>Institutional investor</b>	Financial institution which, by definition or by virtue of its articles of association, is required to hold a certain proportion of its assets in stocks and shares. Examples include insurance companies and pension funds.
<b>Investment club</b>	A variable- or split-capital company, which enables its members to jointly manage a portfolio of marketable securities formed from an initial investment and/or regular capital contributions. Clubs benefit from a favourable regime in respect of capital gains tax. The FNACI (National Federation of Investment Clubs), which is located at 39, rue Cambon, 75001 Paris, provides on request all the information required for the launching and smooth running of these clubs.
<b>IRFS</b>	International Retail Banking and Financial Services. Abbreviation replaced by IRS in 2008.
<b>IRS</b>	International Retail Services. Abbreviation that replaces IRFS.



<b>ISIN code</b>	The new identification number for securities listed on the stock market. The ISIN code replaces the well-known Sicovam code which had since become the Euroclear code. On 30 June 2004, Euronext Paris put an end to its existing system for identifying securities and replaced it with a system that uses ISIN codes. Having already been adopted by a number of European stock markets including Amsterdam, Brussels, Lisbon and Frankfurt, the new system gives a unique identity to each share and therefore facilitates cross-border transactions between investors, primarily by improving harmonisation within Euronext. The ISIN code comprises 12 characters: 2 letters to indicate the issuing country (e.g., FR for France and US for the United States) and 10 figures. BNP Paribas's ISIN code is FR0000131104.
<b>LBO</b>	Leveraged Buy Out. Company acquisition financed primarily by debt. In practice, a holding company is set up to take on the debt used to finance the acquisition of the target. The interest payments due by the holding company are covered by ordinary or exceptional dividends received from the acquired target.
<b>LIFFE</b>	London International Financial Futures and Options Exchange.
<b>Liquidity</b>	Ratio between the volume of shares traded and the total number of shares in issue.
<b>LME</b>	London Metal Exchange.
<b>M &amp; A</b>	Mergers & Acquisitions.
<b>Market capitalisation</b>	Value attributed to a company by the stock market. Market capitalisation corresponds to the share price multiplied by the number of shares outstanding.
<b>Market-maker/ Market-making contracts</b>	Market-makers commit to maintaining firm bid and offer prices in a given security by standing ready to buy round lots at publicly-quoted prices. Market-making contracts generally concern mid-cap stocks and are intended to enhance the stocks' liquidity. In France, market-making contracts (contrats d'animation) are entered into between Euronext, the issuer and a securities dealer.
<b>Microfinance Institution (MFI)</b>	A Microfinance Institution is an entity that proposes financial services (savings, micro-credit, micro insurance, fund transfers) to people without or with limited access to the formal financial sector.
<b>Microfinance Investment Vehicle (MIV)</b>	Microfinance Investment Vehicles are private investment funds that invest primarily in microfinance. MIVs provide capital to Microfinance Institutions (MFIs) as well as to non-specialised financial intermediaries for investment in microfinance projects. MIVs play an increasingly important financial intermediation role between foreign investors and microfinance institutions.
<b>MONEP (<i>Marché d'Options Négociables de Paris</i>)</b>	Paris traded options market, including CAC 40 index options and equity options.
<b>OAT (<i>Obligation Assimilable du Trésor</i>)</b>	French government bonds.
<b>OCEANE (<i>Obligation Convertible En Actions Nouvelles ou Existantes</i>)</b>	Bond convertible for new shares or exchangeable for existing shares of the issuer.
<b>OPA (<i>Offre Publique d'Achat</i>)</b>	French acronym for a public tender offer for cash.
<b>OPE (<i>Offre Publique d'Échange</i>)</b>	French acronym for a public stock-for-stock tender offer.
<b>OPF (<i>Offre à Prix Fixe</i>)</b>	French acronym for a public offering of securities at a set price.
<b>OPR (<i>Offre Publique de Retrait</i>)</b>	French acronym for a compulsory buyout offer (final stage in a squeeze-out).

<b>OPRA (<i>Offre Publique de Rachat d'Actions</i>)</b>	French acronym for an offer to buy out the minority shareholders of a company that is already largely controlled (first stage in a squeeze-out).
<b>Option</b>	Contract giving the buyer the right (but not the obligation), to purchase or sell a security at a future date, at a price fixed when the option is written (exercise price), in exchange for a premium paid when the option is purchased. Options to purchase a security are known as calls and options to sell a security are known as puts.
<b>OPV (<i>Offre Publique de Vente</i>)</b>	French acronym for a public offering of securities at a set price.
<b>ORA (<i>Obligation Remboursable en Actions</i>)</b>	French acronym for equity notes, representing bonds redeemable for shares.
<b>P/E</b>	Price/Earnings ratio. Ratio between the share price and earnings per share. The P/E serves to determine the multiple of earnings per share represented by the share price.
<b>Par value</b>	The par value of a share is the portion of capital represented by the share.
<b>PEA (<i>Plan d'Épargne en Actions</i>)</b>	French name for personal equity plans. Savings products designed to promote private share ownership, invested in shares of companies that have their headquarters in a European Union country or in units in qualifying unit trusts. Revenues and capital gains are exempt from personal income tax and capital gains tax provided that the savings are left in the plan for at least five years. Investments in PEAs are capped at EUR 120,000 per individual.
<b>PEE (<i>Plan d'Épargne Entreprise</i>)</b>	French name for employee share ownership plans. Payments into the plan and reinvested interest are exempt from personal income tax provided that they are left in the plan for at least five years (with early withdrawal allowed in certain specific cases). Surrender gains are also exempt from personal income tax.
<b>Pre-emptive subscription rights</b>	When a company issues shares for cash, each shareholder has a pre-emptive right to subscribe for a number of new shares pro rata to the number of shares already held. The right can be traded on the stock market. Companies can ask the General Meeting to cancel shareholders' pre-emptive subscription rights to facilitate certain operations or allow the company to open up its capital to new investors.
<b>Preference shares</b>	Preference shares are shares that pay dividends at a specified rate and have a preference over ordinary shares in the payment of dividends and the liquidation of assets. They do not carry voting rights.
<b>Price guarantee</b>	When a company acquires control of a listed target, it is required to offer the target's minority shareholders the opportunity to sell their shares at the same price as that received by the sellers of the controlling interest. The offer must remain open for at least fifteen trading days.
<b>Primary market</b>	Market where newly-issued securities are bought and sold.
<b>Prime brokerage</b>	Activity consisting of providing a wide range of services to hedge funds, including financing, securities settlement/delivery, custody, securities lending/borrowing, etc.
<b>Public tender offer</b>	Offer to buy shares of a company, usually at a premium above the shares' market price, for cash or securities or a combination of both. Where only a small proportion of the company's shares are traded on the market and the offer is followed by a compulsory buyout, the process is known as a "squeeze-out".
<b>Quorum</b>	General Meetings can take place only if there is a quorum. For Ordinary General Meetings, on first call there is a quorum if the shareholders present and represented hold at least 1/4 of the voting rights. There is no quorum requirement on second call. For Extraordinary General Meetings, the quorum corresponds to 1/3 of the voting rights on first call and 1/4 on second call. For Combined Meetings, the quorum requirements depend on whether the resolutions are "ordinary" or "extraordinary".

<b>Quotation</b>	The quotation determines the price of a security on the market at a given point in time. Prices are generally quoted on a continuous basis throughout the day (from 9:00 a.m. to 5:30 p.m.), providing a real-time indication of the prices at which the security concerned is changing hands. Continuous quotation allows market players to closely track market trends. Quotations for securities with a low trading volume are made once a day.
<b>Rating/rating agencies</b>	A rating represents an assessment of the default risk on debt securities. The rating awarded to an issuer has a direct impact on the issuer's borrowing costs. Changes in ratings also have a significant impact on the issuer's share price. The main rating agencies are Standard & Poor's, Moody's and Fitch.
<b>Report</b>	On the Euronext Paris market, transaction allowing an investor to carry forward a buy or sell position from one deferred settlement date to the next.
<b>Retail Banking</b>	Comprising French Retail Banking, BNL bc, BancWest, Emerging Markets, Personal Finance and Equipment Solutions.
<b>ROE</b>	Return on Equity. Ratio between consolidated net income and consolidated shareholders' equity.
<b>Secondary market</b>	Market where securities are bought and sold subsequent to their issue.
<b>Settlement</b>	Monthly date when transactions with deferred settlement (Service de Règlement Différé) are unwound (or extended). This date corresponds to the fifth trading day before the last trading day in the month.
<b>Share</b>	A share is a transferable security representing a portion of the capital of a limited company or a partnership limited by shares. Ownership of shares is evidenced by an entry in the issuer's share register (registered shares) or in a securities account kept in the holder's name by a bank, stockbroker or other accredited intermediary (bearer shares). Shares quoted on the stock exchange are also referred to as "equities".
<b>SICAV (<i>Société d'Investissement à Capital Variable</i>)</b>	Variable capital investment company that manages a portfolio of securities on behalf of its shareholders. Shares may be purchased or redeemed at any time. The shares are not listed but their value (corresponding to the company's net asset value per share) varies each day based on changes in the value of the securities held in the portfolio.
<b>SICOVAM (<i>Société Interprofessionnelle pour la Compensation des Valeurs Mobilières</i>)</b>	Now renamed Euroclear France. Organisation responsible for clearing securities trades, centralising all stock market transactions and facilitating the transfer of securities between member institutions.
<b>Solvency ratio</b>	Measure of a company's ability to meet its medium- and long- term obligations.
<b>SPVT (<i>Spécialiste en Pension des Valeurs du Trésor</i>)</b>	Primary dealer in French government bond repos.
<b>SRD (<i>Service de Règlement Différé</i>)</b>	French market where the main French and foreign equities are traded. Equities or bonds purchased with deferred settlement are purchased on credit. The buyer is required to settle the purchase price and the seller is required to deliver the securities on the next settlement date, unless one or other of the parties asks for the transaction to be carried over to the next settlement date (report).
<b>Subordinated debt</b>	A debt whose repayment is contingent on the prior repayment of all other secured or unsecured creditors. In exchange for the additional risk, subordinated creditors receive a higher interest rate than other creditors.
<b>Subscription right</b>	Right to participate in a share issue for cash.
<b>TBB (<i>Taux de Base Bancaire</i>)</b>	Interest base rate.

<b>TMO (Taux Mensuel de Rendement des Emprunts Obligataires)</b>	Interest rate corresponding to the monthly bond yield.
<b>TPI (<i>Titre au Porteur Identifiable</i>)</b>	Procedure allowing issuers to obtain information about the identity of holders of bearer shares from Euroclear.
<b>Trade Centre</b>	Specialised sales force set up by BNP Paribas to partner its corporate customers' international development. The Trade Centres offer importers and exporters a wide range of customised services based on the "one-stop-shopping" principle.
<b>Treasury shares</b>	Shares held by the issuer. Treasury shares are stripped of voting and dividend rights and are not taken into account in the calculation of earnings per share.
<b>TSDI (<i>Titre Subordonné à Durée Indéterminée</i>)</b>	French acronym for perpetual subordinated notes.
<b>TSR</b>	Total Shareholder Return: corresponding to return on the capital invested by shareholders, including dividends and unrealised gains on the shares.
<b>UCITS</b>	Undertaking for Collective Investment in Transferable Securities. Term covering unit trusts and variable capital investment companies.
<b>Voting right</b>	Right of a shareholder to vote in person or by proxy at General Meetings.
<b>Warrant</b>	Certificate issued on a stand-alone basis or strippable from another security (share, bond) giving the holder the right to acquire securities (share, bond). Warrants issued by financial institutions acting as market-maker give the holder the right to purchase (call warrant) or sell (put warrant) various underlyings (interest rate, index, currency, equities) at a fixed exercise price during a fixed exercise period. Although these warrants constitute options, they cannot be sold short.
<b>Work flow</b>	Process automation technology allowing the sequential transmission of digital documents and files to the various people responsible for processing the data.
<b>Yield</b>	Indicator of the return on an investment, expressed in percent. For shares, the yield corresponds to the ratio between the last dividend paid and the last share price.



Design and Publication  
Brand, Communications and Quality - BNP Paribas

Advisory, Creation and Production



Photographers

Pascal Dolémieux – Grégoire Korganow – Gilles Leimdorfer – Jean-Erick Pasquier – Stéphanie Tétu

Photo credits

Corbis, Getty Images, Shutterstock Images



HEAD OFFICE 16, boulevard des Italiens – 75009 Paris (France)

Tel: +33 1 40 14 45 46

RCS Paris 662 042 449

Société anonyme (Public Limited Company) with capital of EUR 2,198,641,552

SHAREHOLDERS RELATIONS Tel. : +33 1 42 98 21 61 / +33 1 40 14 63 58

[www.bnpparibas.com](http://www.bnpparibas.com)

Ref. E2DD.09.02



**BNP PARIBAS**

| The bank for a changing world