

REPORT ON THE EVALUATION OF THE FUNCTIONING OF THE REMUNERATION POLICY AT BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA IN 2018

As part of the supervision exercised, and in accordance with §18 item 19 of the Articles of Association of Bank Polska Kasa Opieki Spółka Akcyjna, the Supervisory Board assessed the functioning of the Remuneration Policy at Bank Polska Kasa Opieki Spółka Akcyjna (hereinafter: "Remuneration Policy") in 2018.

The Supervisory Board assessed positively the continuation by the Bank of a balanced approach to total remuneration, which ensures, in particular, the market level of fixed elements of remuneration, and the possibility of acquiring rights to variable elements of remuneration as part of incentive schemes. The payment of the variable elements of remuneration depended on the results and took into account the Bank's risk. Guided by the principle of having a flexible policy of the variable elements of remuneration, the Bank applied incentive systems ensuring the long-term increase of value of shareholders and stability of the Bank's operations.

Employees covered by the Corporate Collective Labour Agreement were paid incentive bonuses for special achievements at work and the results obtained by the Bank, and, based on the Bank's results audited after each quarter, the quarterly bonus was calculated and paid. Employees covered by the Management by Objectives System received a settlement of their individual objectives and the annual bonus depending on the results achieved, and additionally, for sales employees, a quarterly settlement and advance payment depending on the implementation of the individual annual objectives divided into quarters were introduced.

Guidance on how to assess the compliance of the implementation of objectives and tasks by employees in terms of compliance with the generally applicable law and the Bank's internal regulations, the requirements and recommendations of the supervisory bodies, and the standards of conduct adopted by the Bank, including the assessment of satisfaction and quality of customer service, was introduced. The guidelines introduced were aimed at mitigating the risk of rewarding inappropriate employee attitudes and maintaining consistency of the assessment.

As part of the Variable Remuneration System for the Management Staff covering the Bank's employees and having a significant impact on the Bank's risk profile, the settlement of the 2017 objectives was made and the advance instalments and deferred instalments of the variable remuneration were granted and settled, in accordance with the applicable Principles of the Variable Remuneration System. The assessment of the results of work took place at the individual level, at the level of the organizational units and based on the Bank's results, while maintaining the Bank's 3-year business cycle and the risk associated with the conducted operations. The payment amounts were determined based on the assessment of the achievement of individual objectives in the current year, and on the assessment of the compliance of the conduct with the law, the Bank's internal regulations and the standards of conduct adopted by the Bank. The compliance assessment carried out did not reveal any infringements.

In 2018, the Supervisory Board adopted, by way of a resolution, the Principles of the Variable Remuneration System, which covered the Members of the Bank's Management Board, and put into practice the provisions of the resolution of the Ordinary General Meeting of the Bank regarding the principles of determining the remunerations of the Members of the Management Board of Bank Polska Kasa Opieki Spółka Akcyjna.

Taking into account the business strategy, building of the Bank's brand as an Employer responsible for the development and involvement of employees, the Bank's Management Board continued talks with the trade union organizations aimed at introducing changes to the Corporate Collective Labour Agreement. The proposed changes concerned, in particular, the remuneration system, including the principles of awarding bonuses and rewarding employees based on transparent, objective and fair criteria, while respecting the law and caring for the quality of service and customer satisfaction.

The Internal Audit Department reviewed the implementation of the remuneration policy, with a particular emphasis on the variable elements of remuneration. The report on this review was presented to the Supervisory Board and the Nomination and Remuneration Committee. The general assessment of the results of this review in December 2018 was satisfactory, the adopted solutions were assessed as compliant with the requirements of law and supporting the correct and effective risk management, implementing the Bank's management strategy and limiting the conflict of interest.

The Supervisory Board assesses that in 2018 the Remuneration Policy was implemented by the Bank in accordance with its assumptions, as part of the remuneration shaping processes, where the Bank followed the principle of paying adequate remuneration for lasting results. The remuneration system is compliant with the provisions of the generally applicable law and consistent with the Bank's principles of ethical conduct and the Bank's values. The Bank's Management Board strives to introduce changes to the remuneration principles, together with its social partners, which will reflect even better the adopted business strategy.

The Supervisory Board considered that the Remuneration Policy implemented in 2018 was aimed at ensuring the long-term growth of the value of shareholders and the stability of the enterprise's operation, and was consistent with its provisions and objectives. The development and security of the Bank is ensured through the existence of incentive systems that pursue objectives consistent with the interests of customers, shareholders and employees, and through providing an adequate level of control, both during the implementation of the individual actions under the Remuneration Policy, and control of the system solutions.

The Supervisory Board assesses positively the functioning of the Remuneration Policy in 2018.