

REPORT ON THE EVALUATION OF THE FUNCTIONING OF THE BANK REMUNERATION POLICY IN 2021

As part of its supervisory duties and pursuant to §18 (19) of the Articles of Association of Bank Polska Kasa Opieki Spółka Akcyjna, the Supervisory Board assessed the functioning of the Remuneration Policy in 2021, i.e.: “Remuneration Policy of Bank Polska Kasa Opieki Spółka Akcyjna” and “Remuneration Policy for Members of the Supervisory Board and the Management Board of Polska Kasa Opieki Spółka Akcyjna” (hereinafter jointly: “Remuneration Policy of the Bank”)

The Supervisory Board positively assessed the continuation by Bank Polska Kasa Opieki Spółka Akcyjna (“Bank”) of its sustainable approach to total remuneration, ensuring in particular the market level of fixed remuneration components reflecting the level of experience, skills and competencies as well as the quantity and quality of performed work and the possibility of acquiring the right to variable remuneration components as part of incentive schemes.

The basic remuneration represents such a large proportion of the total remuneration, that it is possible to pursue a flexible remuneration policy, e.g. it is possible to reduce variable remuneration components or not award them at all.

The payment of variable remuneration components was dependent on the results and took into account the Bank’s risk. The Bank, guided by the principle of maintaining a flexible policy of variable remuneration components, applied incentive schemes to ensure a long-term increase in the value for shareholders and stability of the Bank’s operations. This approach was implemented by making a greater number of key manager subject to regulations which made their variable remuneration dependent on the sustainability of the Bank’s results.

As part of the Variable Remuneration System for the Management which covers Members of the Management Board and employees of the Bank whose professional activities have a significant impact on the Bank’s risk profile, the achievement of the objectives for the year 2020 was settled and the instalments payable in advance and deferred variable remuneration instalments were awarded and settled for employees who are not Members of the Management Board, in accordance with the applicable Rules of the Variable Remuneration Scheme. Work results were assessed on an individual level or at the level of an organisational unit or the Bank, with regard to the 3-year business cycle of the Bank and the risk connected with pursued activities. The amounts of payments have been determined based on the assessment of the achievement of individual goals for the current year and the assessment of compliance with the provisions of law, internal regulations of the Bank and standard of conduct adopted by the Bank as well as risk assessment.

Employees covered by the Collective Labour Agreement, based on the achieved results of the Bank, audited after each quarter, were charged and paid a quarterly bonus. Starting from the first quarter of the year, the Bank returned to the application of individual sales guidelines,

according to which the amount of bonus depends on sales results and qualitative assessment of work. The amount of variable remuneration of Employees covered by the Guidelines shall be determined each time on the basis of the compliance assessment results and the direct impact of the Employee in the position serving the client on the Bank's result.

Employees covered by the Management by Objectives System have received a settlement of individual goals and the payment of an annual bonus dependent on the achieved results.

The annual review of remunerations for Employees covered by the Collective Labour Agreement, consisting in allocating the amounts of raises to be distributed by supervisors at Bank units, was carried out in 2021 in consultation with the trade unions. The amount of the pay increase fund resulted from the budget negotiated by the Bank with the trade unions of 1.8% of the basic salaries of Employees covered by the Collective Labour Agreement as of 1 March 2021. As part of this remuneration review, recommendations were made to grant pay raises resulting from a comparative analysis of the level of remuneration and the Employee's assessment. An additional pay raise process was also carried out concerning employees covered by Collective Labour Agreement whose working or pay conditions were changed as part of the group redundancies process in connection with the universalisation of positions in the Retail Banking Division.

The Management Board of the Bank, having regard to the Bank's on-going restructuring projects based on:

- a) centralising processes and activities related to the Bank's current activity,
- b) reorganisation of the network of outlets (including liquidation of a part of outlets or branches),
- c) the Bank's reorganisation of structures
- d) adjusting the level of employment to the actual economic need, and in particular to the increased importance of remote sales channels of banking products at the expense of traditional channels and decreasing the number of customers using the Bank's services provided directly at the outlets,
- e) robotisation and automation of work processes,
- f) adjusting and harmonising positions, working conditions or wages among different groups of employees,

decided to carry out group redundancies on the basis of provisions laid down in the Act of 13 March 2003 on *Special Rules for the Termination of Employment Contracts with Employees due to Reasons Not Attributable to Employees*. Following consultations with trade union organisations, an Agreement on group redundancies was concluded on 23 March 2021. The Agreement lays down, among other things, details concerning more favourable than statutory benefits offered to Employees whose employment contracts have been terminated as a result of the group redundancy.

Pursuant to § 30 of the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks, the Internal Audit Department carried out an independent review of the implementation of the Remuneration Policy, with particular regard to the Principles of the Variable Remuneration System for Employees holding managerial positions in the Bank. The general assessment of results of that review from December 2021 was satisfactory. In general,

adopted solutions for the implementation and application of remuneration policies, including variable remuneration components function adequately and effectively.

The Supervisory Board assesses that in 2021 the Remuneration Policy of the Bank was implemented at the Bank in accordance with its assumptions as part of remuneration determination processes, where the Bank was guided by the principle of adequate remuneration for permanent results. The remuneration scheme is in line with the provisions of generally applicable law and conforms to the rules of ethical conduct and values of the Bank. The Management Board of the Bank makes efforts in cooperation with social partners to introduce changes to the remuneration rules that even better reflect the adopted business strategy.

The Supervisory Board decided that the Remuneration Policy of the Bank pursued in 2021 was aimed to ensure the long-term growth of value for shareholders and stability of the enterprise's operation, and that it was consistent with its provisions and objectives. The growth and security of the Bank is ensured through the existing incentive schemes encouraging the pursuit of goals consistent with the interests of clients, shareholders and employees, and by ensuring an appropriate level of control both when performing individual actions within the framework of the Remuneration Policy of the Bank and controlling systemic solutions.

The Supervisory Board positively assessed the functioning of the Remuneration Policy of the Bank in 2021.