

REPORT ON THE EVALUATION OF THE FUNCTIONING OF THE REMUNERATION POLICY OF BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA IN THE YEAR 2022

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 2022, 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: the “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 2021 was assessed 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 System. Work results were assessed on an individual level, at the level of an organizational unit as well as at the level of 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.

In 2022, having taken into account numerous amendments to generally applicable provisions of the law, it was necessary to make relevant amendments to the Rules of the Variable Remuneration System which were in force both for the Members of the Management Board as

well as for other employees which were identified as having material impact on the Bank's risk profile, so-called "Material Risk Takers" ("MRT"). The main amendments introduced to both documents related to the following:

- a) extension of the postponement period to 5 years for Members of the Management Board and senior management as well as to 4 years for other individuals identified as having material impact on the Bank's risk profile;
- b) introduction of a voluntary retention period of 3 years and commencing immediately after the compulsory retention whereas within such period a participant may apply for settlement of the due bonus instalment in phantom shares;

Quarterly bonuses were accrued and paid to the employees covered by the Company-level Collective Labour Agreement, based on the achieved results of the Bank, audited after each quarter. 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 System of Management by Objectives 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 Company-level Collective Labour Agreement, consisting of allocating the amounts of raises to be distributed by supervisors at Bank units, was carried out in 2022. The amount of the pay increase fund resulted from the budget negotiated by the Bank with the trade unions of 8.6% of the basic salaries of employees covered by the Company-level Collective Labour Agreement as of 1 March 2022. In the Agreement concluded with the trade unions, the rules for division of the pay increase fund were established. As part of this remuneration review, recommendations were additionally made to grant pay raises resulting from a comparative analysis of the level of remuneration and the employee's assessment.

Pursuant to § 30(1) 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 a review of the implementation of the Remuneration Policy, with particular regard to the components of variable remuneration and the report of this review has been presented to the Supervisory Board of the Bank. The general assessment of results of that review from December 2022 was good.

The Supervisory Board assesses that in 2022 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 2022 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 2022.