



Bank Polski

**REPORT  
“ASSESSMENT OF THE  
FUNCTIONING OF THE  
REMUNERATION POLICY  
AT PKO BANK POLSKI S.A.  
IN 2023”**

**REPORT ACCEPTED BY THE BANK’S SUPERVISORY BOARD FOR SUBMISSION  
TO THE ANNUAL GENERAL MEETING**

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## INTRODUCTION

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The report “Assessment of the functioning of the remuneration policy at PKO Bank Polski S.A. in 2023” was prepared with a view to meeting the requirements of:

- § 15(1)(13) of the Bank’s Articles of Association:
  1. *The Supervisory Board shall perform continuous supervision over the activities of the Bank in all areas of its operations. Apart from the rights and obligations provided for in other provisions of these Articles of Association, the competences of the Supervisory Board shall include: (...)13) assessing the functioning of the remuneration policy in place at the Bank and submitting the relevant report to the Annual General Meeting;*
- § 28(3) of the “Principles of Corporate Governance for Supervised Institutions” which constitute an appendix to Resolution No. 218/2014 of the Polish Financial Supervision Authority of 22 July 2014 on the publication of the “Principles of Corporate Governance for Supervised Institutions”:
  3. *The supervisory body shall prepare and submit a report on the assessment of the functioning of the remuneration policy at the supervised institution to the decision-making body once a year.*
- § 2(5) and § 5 and 6 of the Policy of Remunerating the Employees of the Bank and the PKO BP Group governing the review and assessment of the remuneration policy,
- Item 15(4) of Recommendation Z “The bank’s Supervisory Board should supervise the implementation and application of the bank’s remuneration policy by the bank’s Management Board and assess its impact on the bank’s management on a regular basis (at least once a year).”,
- § 13 (2) of the Remuneration Policy for Members of the Supervisory Board and Management Board of Powszechna Kasa Oszczędności Bank Polski S.A. constituting Attachment No. 1 to Resolution No. 35/2020 of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna of 26 August 2020.

This report fulfils the aforementioned requirements as at 31 December 2023.

## 1. ASSESSMENT SUMMARY

1. THE DEVELOPMENT AND SECURITY OF THE BANK ARE ENSURED IN THE REMUNERATION POLICY THROUGH THE FOLLOWING ACTIVITIES:
  - MOTIVATING EMPLOYEES TO ACTIVITIES COINCIDING WITH THE BANK'S INTERESTS;
  - LINKING THE AMOUNT OF REMUNERATION PAID TO THE BANK'S POSITION;
  - ENSURING AN APPROPRIATE LEVEL OF CONTROL OVER THE AMOUNTS OF FIXED AND VARIABLE REMUNERATION, AS WELL AS NON-WAGE BENEFITS.
  
2. THE BANK FOLLOWS THE POLICY OF REMUNERATING THE MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD, AS WELL AS KEY MANAGERS, SPECIFIED IN THE APPLICABLE INTERNAL REGULATIONS WHICH HAVE BEEN REVIEWED IN TERMS OF CONSISTENCY AND TRANSPARENCY.
  
3. THE MEMBERS OF THE SUPERVISORY BOARD RECEIVE REMUNERATION WHICH IS ADEQUATE TO THEIR FUNCTION AND THE SCALE OF THE BANK'S OPERATIONS.
  
4. THE GENERAL MEETING OF PKO BANK POLSKI S.A. HAS INTRODUCED A POLICY OF REMUNERATING THE MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD.
  
5. THE SUPERVISORY BOARD HAS INTRODUCED REGULATIONS LAYING DOWN THE RULES OF REMUNERATING THE MEMBERS OF THE MANAGEMENT BOARD, IT SUPERVISES COMPLIANCE WITH THESE RULES, ESTABLISHES CRITERIA AND CONDITIONS JUSTIFYING ELIGIBILITY FOR VARIABLE REMUNERATION AND REVIEWS THEM PRIOR TO THE PAYMENT OF VARIABLE REMUNERATION.
  
6. THE VARIABLE REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGERS IS DEPENDENT ON THE FULFILMENT OF PERSONALIZED OBJECTIVES RELATED TO THE BANK'S STRATEGY. THESE OBJECTIVES INCLUDE QUANTITATIVE AND QUALITATIVE CRITERIA, AND THEY GUARANTEE THAT THE MEMBERS OF THE MANAGEMENT BOARD ARE GIVEN INCENTIVES TO WORK AND TO OBSERVE THE MODELS OF CONDUCT SO THAT THE BANK MAY ACHIEVE ITS GOALS.
  
7. THE AMOUNT OF VARIABLE REMUNERATION OF ALL EMPLOYEES IS DEPENDENT ON THE LEVEL OF FULFILMENT OF THE OBJECTIVES.

THE MOST IMPORTANT ELEMENTS OF THE REMUNERATION POLICY HAVE BEEN APPROPRIATELY IMPLEMENTED IN KEY COMPANIES OF THE BANK'S GROUP.

## DESCRIPTION OF THE REMUNERATION POLICY

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### 2. POLICY OF REMUNERATING THE EMPLOYEES OF THE BANK AND THE PKO BP GROUP, AND THE COLLECTIVE LABOUR AGREEMENT

The basic internal regulation concerning the remuneration policy is the Policy of Remunerating the Employees of the Bank and the PKO BP Group (the Policy) adopted by the resolution of the Bank's Management Board (the last change was made under Resolution No. 613/C/2022) and approved by Resolution No. 195/2022 of the Supervisory Board of 30 December 2022.

The Policy ensures a coherent system of remuneration by means of:

- using a remuneration system in line with the market trends;
- obtaining optimal candidates for work;
- adjusting the mechanisms of the tools and the levels of remuneration to the strategy and objectives of the Bank and the Bank's Group (Group);
- taking into account the Group's ability to determine the required mechanisms and levels of remuneration;
- determining fixed remuneration based on an evaluation of job positions;
- determining the remuneration structure based on the achieved results of work and the evaluation of employees' competences;
- building responsibility in employees for the tasks they perform, evaluated on the basis of objectified criteria;
- guaranteeing that the variable remuneration components are parameterized in such a manner as to take into account the cost of risk, the cost of capital and the liquidity risk of the Bank and the Group in the long term;
- ensuring that the cash or non-cash forms of remuneration do not encourage the persons involved to favour their own interests or the interests of the Bank and the Group Companies (GCs) to the detriment of the Customers,
- ensuring gender-neutral remuneration practices for the Group's staff,
- ensuring compliance with the ESG (environmental, social and governance) strategy.

Pursuant to Resolution No. 35/2020 of the Annual General Meeting (the AGM) of the Bank of 26 August 2020, the Policy of Remunerating the members of the Supervisory Board and the Management Board was adopted, by aligning the internal regulations with the requirements of the Act of 29 July 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading and on public companies.

The Bank and the GCs follow the rules of remunerating the members of the management and supervisory bodies set out in the Act of 9 June 2016 on the rules of determining the remuneration of persons managing certain companies, the so-called Excessive Salary Act. In doing so, the Bank meets the criteria for applying fixed remuneration for the members of the Management Board in an amount of seven to fifteen times the assessment basis, while not making use of the possibility to depart from this restriction as allowed by the Excessive Salary Act; whereas the amount for the members of the Supervisory Board is no more than 2.75 of the assessment basis.

The Collective Labour Agreement (CLA) concluded with the trade union organizations on 28 March 1994 (as amended) forms the basis for awarding the following remuneration components to the Bank's employees:

- 1) the base salary;
- 2) allowances for working overtime and in conditions which are particularly onerous and harmful to health;
- 3) bonuses and rewards for special achievements at work.

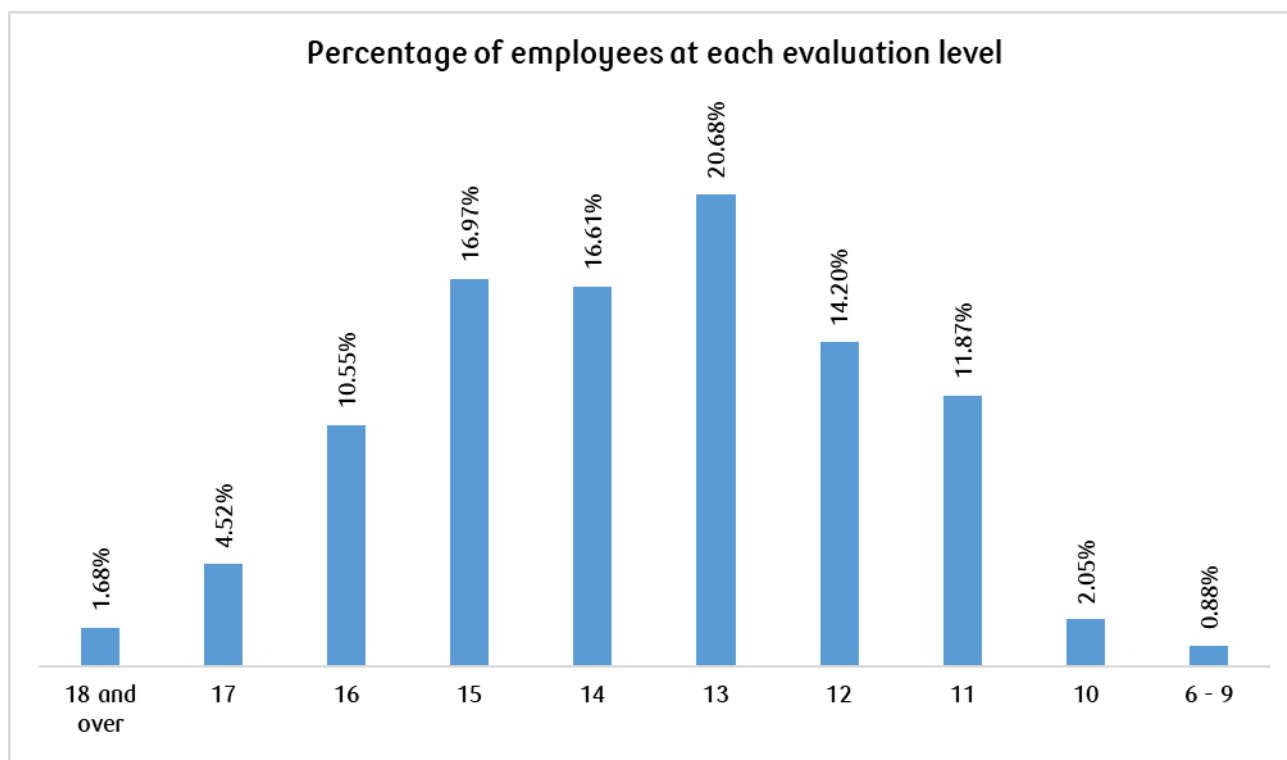
The Collective Labour Agreement determines the minimum guaranteed base salary rates assigned to individual job position grading levels allocated on the basis of the evaluation process:

Position grading level by position evaluation	Minimum base remuneration rate – the percentage of the minimum wage determined under the generally applicable laws
18 and over	400%
17	300%
16	200%
15	160%
14	150%
13	140%
12	130%
11	120%
10	110%
6-9	100%

### 3. EVALUATION OF JOB POSITIONS

In the course of 2019, the Bank implemented a method of evaluating positions, in line with the market practice. In the years 2020- 2023, the use of the method implemented was continued.

The Bank uses 18 evaluation levels (from 6 to 23) in accordance with the methodology provided by an external advisor. In determining the weight of a position, the main criteria taken into account include: the knowledge necessary to work in a given position, the types and complexity of the problems in the position, and the scale of the impact on the organization, including the impact on results.



Each position is additionally assigned to a specific category of professions. Furthermore, the categories of professions were assigned to five groups corresponding to general competence profiles specific to each of them. The above makes it easier to manage remuneration within such a varied (in terms of number and substance) range of positions which is in place at the Bank.

Some of the GCs are already using an evaluation model similar to the one used in the Bank.

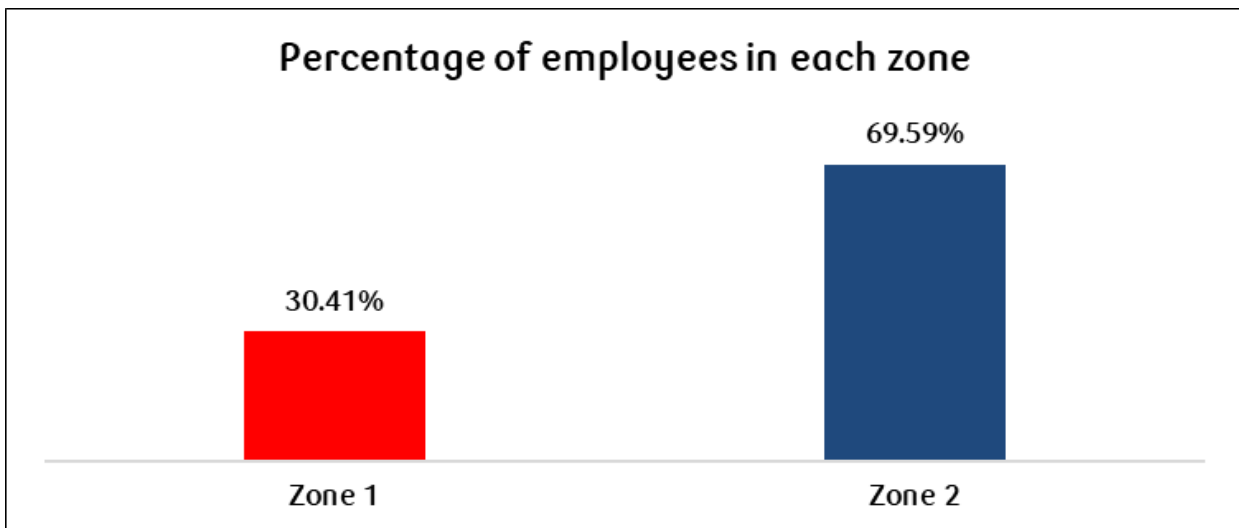
#### 4. BASE SALARY MANAGEMENT

##### 1) EMPLOYEES

Base salaries (as well as additional benefits such as medical care) are awarded on the basis of grade category and the analysis of market wages in the banking sector (including regionalization).

The results of the annual salary review confirmed the closer alignment of the pay differential between large cities and other locations, therefore the decision was maintained to merge zones 2 and 3 that had been functioning in previous years. Therefore, as of 31 December 2023, only two regionalization zones are in use at the Bank.

<b>ZONE 1</b>	Warsaw plus locations within a 60 km radius of Warsaw
<b>ZONE 2</b>	Other locations



Data as at December 2023

Base salaries can be changed as part of the process of:

- 1) bank-wide increases;
- 2) increases resulting from the change in position or promotion;
- 3) changes in remuneration related to specific reorganization projects regarding individual structures or processes;
- 4) analysis of individual cases (taking into account the results of work and the results of periodic employee appraisals).

The GCs which adopted the evaluation model also structure the basic salaries with reference to the market and appropriate classification levels.

##### 2) MEMBERS OF THE BANK'S MANAGEMENT BOARD AND SUPERVISORY BOARD

According to the Remuneration Policy for members of the Supervisory Board and the Management Board, the fixed remuneration of the members of the Bank's Management Board is determined at an amount of seven to fifteen times the assessment basis, which is the average monthly remuneration in the business sector, excluding the payment of bonuses from profit in the fourth quarter of the previous year, as announced by the President of Statistics Poland.

In 2023, the fixed remuneration of the members of the Management Board is as follows:

- in the case of the President of the Management Board: 15-times;
- in the case of other members of the Management Board: 14.5-times

the average remuneration in the business sector, excluding the payment of bonuses from profit in the fourth quarter of the previous year, as announced by the President of Statistics Poland.

The monthly remuneration of the members of the Bank's Supervisory Board is determined as a product of the base salary, referred to in the Act of 9 June 2016 on the rules of determining the compensation of persons managing certain companies, and an appropriate multiple, depending on the functions performed within the Supervisory Board.

## **5. VARIABLE REMUNERATION COMPONENTS FOR THE MEMBERS OF THE MANAGEMENT BOARD AND KEY MANAGERS HAVING A HIGH IMPACT ON THE RISK PROFILE OF THE BANK AND THE GROUP (MATERIAL RISK TAKERS – MRTs)**

In accordance with the requirements of the directives of the CRD and the Banking Law, the Bank established the rules for awarding variable remuneration components (bonuses and rewards) to MRTs through the resolutions of:

- 1) the Supervisory Board – for the Management Board;
- 2) the Management Board – for the MRTs subordinate to the Management Board.

A list of MRTs – who are not members of the Management Board or Supervisory Board – is drawn up by the Management Board based on qualitative and quantitative criteria for determining the categories of employees whose professional activities have a material impact on the risk profile, listed in Commission Delegated Regulation (EU), Banking Law, Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and in accordance with the standards set out in Section 5 of the EBA/GL/2021/04 Guidelines.

MRTs are, in particular:

- 1) the members of the Management Board and the Supervisory Board;
- 2) the senior management, i.e. persons who perform executive functions within the institution and who are responsible to the management for the day to day management of the institution;
- 3) the senior management responsible for significant business units, for the management of specific risk categories and for control functions;
- 4) positions responsible for providing internal support that are crucial to the operation of the business and that affect risk, including operational risk;
- 5) positions generating credit risk and market risk, identified using criteria based on limits of authority;
- 6) positions in which the employees received total remuneration exceeding the threshold set out in the regulations (provided that the employees do, in fact, have a material impact on the risk profile);
- 7) positions in which the employees are in the same remuneration bracket as senior management or risk takers (provided that they have a material impact on the risk profile).

As at 31 December 2023, the MRT List contained 69 positions (however, the number of employees is larger – due to the fact that more than one employee may work in one position on the MRT List – this applies to, in particular to: directors of corporate macroregions, and directors of the branches abroad).

<b>Functional area of the Bank</b>	<b>Number of MRT positions</b>
Risk Management	14
Corporate and Enterprise Banking	10
President of the Management Board	10
Finance and Accounting	5
Technology	2
Retail Market and Business Banking	2
Operations and International Banking	4
Positions of Division Directors in each area	22

The basis for awarding variable remuneration components to MRTs, including the members of the Management Board, is primarily bonus targets set as part of Management by Objectives (MbO). The MbO objectives set are to guarantee that the Bank's business cycle and the risk related to the Bank's operations are taken into account. The risk is taken into consideration by determining appropriate, risk-sensitive criteria for assessing MRTs' performance.

The variable remuneration components for a given bonus period (a calendar year) are awarded after the bonus targets have been accounted for in the form of:

- 1) non-deferred – in the amount of 60% of variable remuneration (in the first year after the bonus period);



- 2) deferred – in the amount of 40% of variable remuneration (in equal instalments, over the following years after the first year after the bonus period),  
with both non-deferred and deferred remuneration being awarded in equal parts in cash and in the form of a financial instrument, i.e. phantom shares (which are converted into cash at the updated price of the Bank's shares after the retention period, and in the case of deferred remuneration – after the deferral period).  
In accordance with the Remuneration Policy, if the amount of variable remuneration for a given year exceeds PLN 700 thousand, PLN 280 thousand plus 60% of the excess over PLN 700 thousand, it is deferred.

The variable remuneration, calculated for a given bonus period (a calendar year), may not exceed 100% of the annual fixed remuneration for MRTs including the members of the Management Board.

In the Group Companies, the limit is:

- 1) 100% of the annual fixed remuneration for Group companies which, at least in one of the last two financial years preceding the evaluation year, fulfilled at least two of the following conditions:
  - a. the average annual number of employees was at least 1 251;
  - b. the annual net sales of goods for resale, finished goods and services and net financial income were higher than the Polish zloty equivalent of EUR 250 million;
  - c. the total assets in the balance sheet prepared as at the end of one of these years were higher than the Polish zloty equivalent of EUR 215 million;
- 2) 50% of the annual remuneration for the other Group Companies.

The amount of the bonus calculated for a given bonus period (calendar year) for each MRT, including members of the Management Board in the Bank and in Group Companies may be adjusted – in minus or in plus – by an adjustment ratio applicable to the degree of achievement of the targets specified in the so-called Annual Note of the Bank (a set of key management indicators defined for a given calendar year), with the in plus adjustment being no higher than 100% of the fixed remuneration.

In the case of the members of the Management Board, the condition for awarding and launching the payment of bonus is the approval of the financial statements for a given bonus period by the General Meeting, the acknowledgement of fulfilment of their duties and the achievement of the management objectives related to the obligation to implement the requirements of the generally applicable laws concerning the management of state property and the so-called Excessive Salary Act in the Group.

Each of the calculated variable remuneration components may be reduced as a consequence of:

- 1) a breach of employee duties;
- 2) failure to comply with the law or customer service standards;
- 3) incorrect performance of the official tasks assigned;
- 4) behaviour towards other employees which violates the rules of social co-existence.

The Supervisory Board in relation to the members of the Management Board, and the Management Board in relation to MRTs may also, prior to each payment of variable remuneration, decide on a possible proportionate reduction in the amount of funds for such remuneration, taking into account:

- 1) the effect on the regulatory capital, capital adequacy ratio and equity of the Bank, so that the payment of variable remuneration does not limit the possibility of strengthening them;
- 2) the effect on the cost of capital, so that the payment of variable remuneration does not limit the possibility of maintaining an appropriate capital base;
- 3) the desirable risk profile of the Bank;
- 4) the Bank's financial results in relation to long-term development plans.

In the case of:

- 1) a significant deterioration in the Bank's or the Group Companies' results;
- 2) determining that there has been a significant negative change in the equity of the Bank or the Group Companies;
- 3) the violation of a legal regulation or material errors committed by an employee;
- 4) an adjustment to the results or the goals achieved and the degree of achievement of the results or goals of an employee;
- 5) a deterioration in the results of the units supervised or managed by the above-mentioned persons;
- 6) variable remuneration awarded on the basis of incorrect, misleading information or as a result of employee fraud,

a malus type solution may be applied – by the Supervisory Board or the Management Board, respectively –reducing the amount of variable remuneration payable to an MRT, including a member of the Management Board, in the following accounting periods.

The members of the Management Board and employees that are MRTs have the right to join the EPS (Employee Pension Scheme), and MRTs that are not members of the Management Board may also use the medical care services and the social benefits fund financed by the Bank. The members of the Management Board have the possibility to purchase, with their own funds, benefits from the cafeteria system and a medical care package for themselves and their family members according to the agreement with the provider of medical services to the Bank.

If an MRT, including members of the Management Board, is awarded severance pay related to dismissal from his or her position, which is coupled with the termination of the legal relationship constituting the basis for the performance of work (other than that arising from the generally applicable laws), the amount reflects the assessment of their performance over the past three years of employment, with the maximum amount of severance pay for the MRT, including Members of the Management Board, being three times their fixed remuneration defined in the Bank's regulations.

A member of the Management Board is entitled to severance pay on condition that that he or she has served as a member of the Bank's Management Board for a period of at least twelve months before termination of the aforementioned contract. An MRT, other than a member of the Management Board, may be awarded severance pay on condition that he or she has held an MRT position for a period of at least twelve months before the termination of his or her employment contract or another contract constituting the basis for the performance of work.

Severance pay is not payable if the given person is employed in another Group Company after terminating his or her employment in the Bank.

MRTs, including members of the Management Board, are also subject to non-competition agreements which provide for the payment of compensation for refraining from undertaking employment with a competitor after the termination of employment with the Bank, for a maximum period of six months, of up to 100% of the fixed remuneration under the employment contract. The non-competition agreement shall cease to be effective, and therefore compensation shall not be paid, before the lapse of the deadline, if employment is taken up in another Group Company, nor is compensation payable to members of the Management Board who perform functions on the Management Board or Supervisory Board of a company with a shareholding in a company with the participation of the State Treasury, a local government unit or an association of local government units or a state or municipal legal person.

From 2020, due to the circumstances related to the announcement of the state of the COVID-19 epidemic at home, given the announcements by the EBA and the PFSA Office, the Supervisory Board introduced amendments to the internal regulations laying down the principles of remunerating the employees and members of the Management Board and Group Companies, which concerned the possibility of introducing temporary changes for the MRTs, including members of the Management Board of the Bank and of Group Companies:

1. As regards the payment of variable remuneration to Members of the Management Board, a provision was added concerning the possibility of the Supervisory Board making the following temporary changes:
  - i. in the proportion of deferred variable remuneration to non-deferred variable remuneration in favour of increasing the deferred variable remuneration;
  - ii. extending the variable remuneration deferral periods;
  - iii. the dates as of which the base value of variable remuneration is converted into the value of financial instruments;
  - iv. the dates as of which the value of financial instruments will constitute the basis for converting a financial instrument into cash to be paid out;
  - v. the proportion of variable remuneration in the form of cash to variable remuneration in the form of a financial instrument in favour of increasing the variable remuneration in the form of a financial instrument.
2. The aforementioned rules concerning the remuneration method for MRTs, including members of the Management Board, were appropriately implemented in the Group Companies that have a significant impact on the Bank Group's risk profile.
3. With regard to the payment of variable remuneration to MRTs that are not members of management boards, a provision was added concerning the possibility of similar temporary changes being made by the Management Board.

The aforementioned rules were also in force in the year 2023.

In December 2022, the Bank adjusted the Remuneration Policy to changes in the regulations resulting from the CRD V Directive (corresponding changes for MRT employees were introduced in 2023), consisting in:

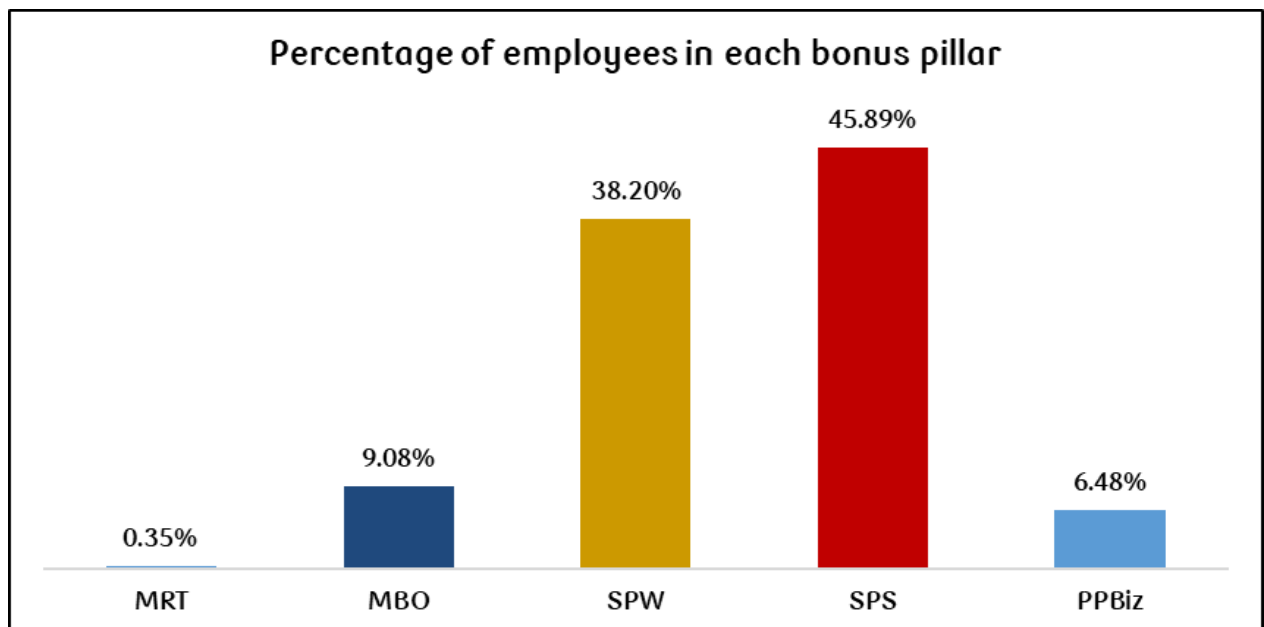
- 1) extending the actual period of deferral of remuneration , as well as extending the actual period of detention of the instrument by postponing the payment date,
- 2) introducing a provision on the application of the remuneration policy to a limited extent (in accordance with Article 9ca(1b) of the Banking Law),
- 3) implementing the gender neutrality principles,
- 4) adding provisions related to environmental protection and social responsibility and clarifying the rules for the payment of severance pay,
- 5) clarifying the provisions concerning objectives.

## 6. VARIABLE REMUNERATION COMPONENTS FOR EMPLOYEES OTHER THAN MRTs

### 1) BONUSES

The bonus system at PKO Bank Polski S.A. consists of four pillars:

- MbO (Management by Objectives) – covers managerial and expert positions in which the Bank’s key objectives are pursued, including the strategic ones. MbO is a bonus dependent on the quality and degree of implementation of the assigned objectives;
- PPBiz (Business Bonus Scheme) – is a bonus pillar in which the bonus depends on the degree of completion of specific sales or effectiveness tasks; it covers employees who perform business tasks, mainly sales tasks for corporate and investment banking, and debt collection tasks, as well as employees who carry out tasks in formations (the Bank’s separate structures working according to the agile methodology);
- SPS (Sales Bonus System) – is intended for positions in retail branches where banking products are sold;
- SPW (Bonus Support System) – covers other employees whose positions are not subject to the MbO, PPBiz or SPS pillars.



A bonus is related to the assessment of an employee’s performance. Performance is assessed on the basis of accounting for individual or group objectives – a specified bonus indicator is allocated to a specific level of performance, in an amount determined by the decision of the President of the Management Board.

Bonus targets remain linked to the Bank’s key management indicators included in the bonus targets set for the individual units of the Bank. The cascade principle defined in the bonus rules, the observance of which is monitored, requires assigning targets to the employees working in the individual units.



Additionally, each target is set in accordance with the SMART principle (S-specific, M-measurable, A-ambitious, R-realistic, T-timely), which is also subject to regular monitoring.

The correctness of setting and accounting for targets is supported by applications dedicated to these processes – through systemic validations included in the applications.

Each bonus may be reduced if, by the payment date, an employee committed:

- 1) a breach of employee duties;
- 2) failure to comply with the law or customer service standards;
- 3) incorrect performance of the official tasks assigned;
- 4) behaviour towards other employees which violates the rules of social co-existence.

In addition, bonus adjustment indicators are used, depending on the evaluation of the quality of work (MbO) or the results of business operations (PPBiz and MbO in corporate centres). In the retail network, collective targets are used, which may increase an individual bonus.

The Group Companies have a bonus system tailored to their needs and business model. Bonuses are granted based on an assessment of the effects of their work and the degree of achievement of their goals. The bonuses are parameterized based on defined performance levels and indicators assigned to them.

## 2) REWARDS

Regardless of the bonus system, there is a system of rewards for the Bank's employees under which the Bank may establish a reward fund for:

- individual discretionary rewards for the Bank's employees who demonstrate outstanding performance at work or for achievements which have resulted in effects important for the Bank;
- rewards for employees recommending candidates for work at the Bank;
- activities related to the retention of employees who occupy key positions or who have key competences.

The Bank also gives special rewards for preventing actions taken to the detriment of the Bank.

In the Group Companies, budgets are also established for discretionary awards depending on the company.

## 7. NON-WAGE BENEFITS AND PRIVILEGES AVAILABLE TO THE EMPLOYEES OF PKO BANK POLSKI S.A.

### 1) MEDICAL CARE

The Bank provides its employees with extra medical care – in addition to occupational medicine benefits which the employer is obliged to provide under the provisions of the Labour Code. The extra, preventive medical care is provided to employees free of charge to which the employees are entitled as part of varied benefit packages, dependent on the grading level of their positions. All employees have the possibility to consult (free of charge) doctors of 26 specializations and to use a wide range of diagnostic tests, flu vaccinations, consultation of a dietitian, psychologist and psychiatrist as well as dental services and Hospital Insurance - Orthopaedic Care. Furthermore, as part of their benefits package, employees are also eligible for an annual preventive health check focused on early detection of lifestyle diseases, and, starting in 2021 – an annual health check in the event of catching or suspecting COVID 19. Additionally, the Bank, as part of its wellbeing programmes, is actively involved in promoting a healthy lifestyle and preventive care.

Any employee can upgrade to any higher package at a surcharge. Rehabilitation services and day surgery, among others, are also available as part of the higher packages. Employees can also include family members and other relatives in their care - on terms negotiated by the Bank.

The employees also have the possibility to use a preventive health programme called "Zdrowie jak w Banku" which is aimed at diagnosing diseases early and promoting a healthy lifestyle.

### 2) EMPLOYEE PENSION SCHEME (EPS)

Since 2013, an Employee Pension Scheme (EPS) has been functioning at the Bank, under which the employees have the possibility to make long-term savings to supplement their pension income received from the mandatory sections of the pension system. The Bank's EPS has the form of an agreement on the Bank making a Basic



Contribution (3.5% of an employee's salary) and the Employees making an Additional Contribution (if any) to the Investment Funds managed by PKO TFI.

Since December 2019, the provisions of the company EPS agreement also grant the Members of the Management Board the right to join the EPS.

### 3) SOCIAL BENEFITS FUND

- MyBenefit cafeteria system – an online platform under which every employee of the Bank has the possibility to use the funds allocated to them from the Social Benefits Fund on their own. The cafeteria system enables the selection and purchase of attractive benefits with the funds from the Fund, related, in particular, to recreation, sports, leisure and culture (e.g. tours, holiday stays in resorts at home and abroad, cinema tickets, sports events tickets, books, swimming pool and fitness club passes, concert tickets, purchase of equipment and sports clothes).
- Social Benefits Fund outside MyBenefit – the fund also allocates financing for non-refundable allowances for employees in a difficult situation, housing loans, e.g. for the purchase of a first flat or for carrying out renovation and modernization work, as well as co-financing organized leisure activities and child care in nurseries, children's clubs, kindergartens and other forms of pre-school education, and care provided by a day carer or a baby-sitter (which is financed with the funds available under the cafeteria system)
- The SBF is also used to finance team-building events for the Bank's employees, as well as other team-building events (e.g. meeting with Santa Claus for the children of Bank's employees or a project to honour retiring Bank employees).

### 4) SPORTS CARDS

The Bank's employees may participate in activities at sports facilities of their choice, situated all over the country, as part of sports cards of various companies. Cards are ordered via the MyBenefit platform. A card may be financed with funds granted as part of the Social Benefits Fund or with own funds.

### 5) BANKING INDUSTRY SPECIAL OFFER

Employees in the banking sector have the possibility to take advantage of a bank offer, namely a savings and settlements account "Aurum BOS" (personal banking) and loan products offered on favourable terms, among other things, a credit card and a housing loan "Własny Kąt Hipoteczny" (One's Own Place).

### 6) CO-FINANCING OF EDUCATION

The Bank's employees have the possibility to apply for the co-financing of the costs of studies – in particular, foreign language classes and post-graduate studies, MBA studies, doctoral programmes, and training programmes for legal advisors.

### 7) "PKO PO GODZINACH" PROGRAMME (*"PKO AFTER HOURS" PROGRAMME*)

Subsidising and supporting the activities of the Bank's sections including: running, cycling, triathlon, football, horse riding, basketball, volleyball, tennis and motorbike sections. In 2023, 13 sports sections were active in the Bank. Funding included integration and CSR activities organised locally by employees. Organisation of 18 online events as part of the #FokusNaCiebie wellbeing programme – meetings with experts on physical and mental health. The aim of the #FokusNaCiebie project is to focus on quality of life, improving fitness and wellbeing – taking care of your wellbeing.

### 8) REFUND ON GLASSES

The Bank's employees who need corrective glasses or lenses for working with a computer display unit may apply for a refund on eyeglasses or contact lenses in the amount specified by the Bank.

### 9) COMPANY CARS

Company cars are allocated to employees depending on their position in the company or the duties they perform. In the case of key managerial positions, the make, model and colour of a company car is selected by the user of the car (from a specific catalogue of makes and models).

### 10) "#AUTONABANK" PROGRAMME

#AutoNaBank is a programme for employees, prepared by Masterlease (a company in the Bank's Group) which enables long-term rental of cars under special conditions. The programme allows a car to be rented for a maximum of five years. The employee pays monthly instalments for this service, without having to incur a start-up fee. All the formalities and car running costs – except for fuel and washer fluid – are on the part of the lessor – Masterlease. Full car insurance, the possibility to use a replacement car and full mechanical servicing are

included in an instalment. A low instalment, comprising the costs of using a car, has been specially negotiated for the Bank's employees. This solution is more favourable than a lease or a loan.

**11) AUDIOTEKA (*AUDIO LIBRARY*)**

The Bank's employees have the possibility to use an external platform and application to download audiobooks – Inspiro – free of charge. The offer directed to the Bank's employees currently includes 4,700 audiobook titles and more than 8,000 podcasts.

**12) GROUP LIFE INSURANCE**

The Bank's employees are allowed the possibility to purchase insurance. Several types of group insurance are offered on preferential terms compared with the offers available on the individual insurance market. The employee may also enrol his/her spouse/partner, as well as adult children, in the insurance.

**13) SUPPORT FOR PERSONS TERMINATING THEIR EMPLOYMENT FOR REASONS NOT RELATED TO THE EMPLOYEES**

The Bank offers the support in the form of financial severance packages to the Bank's employees terminating their employment for reasons that do not concern them.

**14) A SCHEME TO HONOUR RETIRING STAFF**

From September 2023, the Bank has a programme for employees who have reached retirement age and are therefore terminating their employment with the Bank and have min. 5 years of service with the Bank. This project involves the granting of additional benefits: a diploma signed by the Bank's Vice-President of the Management Board, a voucher for annual medical care, a PKO Bank Polski prepaid card, gadgets with the Bank's logo and a budget for an integration meeting.

**15) EMPLOYEE DISCOUNTS**

The Bank's employees have the possibility to take advantage of attractive discounts dedicated for their use, e.g. through Loyal Me Now – a 24/7 free discount platform – or directly via the websites of other partners, including LG Electronics, Samsung.

**16) ADDITIONAL TIME OFF**

The Bank's employees in 2023 and 2024 received additional days off for the timely use of annual leave. In addition, the Bank participates every year in the celebration of International Family Day, which entitles Bank's employees to take 2h off work, and up to a total of 4h off work in the case of the opening/purchasing of a banking product for children and young people.

The range of the aforementioned employee benefits and privileges available in the Group Companies varies from entity to entity and in particular includes:

- additional medical care
- Employee Pension Plan
- access to the cafeteria platform where, among other things, funds from the Company Social Benefits Fund are granted/allocated
- group insurance
- sports passes
- employee discount programme

taking into account the pricing terms and conditions negotiated by the Bank with its counterparties.

## 8. COMPETENCE CONCERNING THE DETERMINATION OF REMUNERATION

The Bank's internal regulations concerning remuneration are introduced by the Management Board (and the regulations for the Management Board are introduced by the Supervisory Board), whereas determining bonus indicators remains within the competence of the President of the Management Board.

The Management Board has conferred the right to take legal action for the Bank in individual cases relating to labour law (namely, to conclude employment contracts and change remuneration under the concluded contracts) on:

- 1) the President of the Management Board;
- 2) the director of the Employee Relations Division (PRP);
- 3) the director of the Employee's Capital Department (PRP) – in the absence of the PZP director (with the possibility of granting permanent power of attorney within the scope of permanent competences assigned to the director of the PRP).

Pursuant to the Bank's Articles of Association, the competences of the employer regarding the individual positions of the Bank's senior management are reserved for the President.

Awarding benefits related to the employment relationship or the terms and conditions of an employment contract which go beyond the benefits or terms and conditions arising from the generally applicable or internal legal regulations in employment contracts, preliminary contracts or letters of intent requires the approval of the President of the Management Board.

Employing a person in a given position, terminating an employment contract and changing the terms and conditions of an employment contract as regards the position, made in accordance with the employer's decision vis-à-vis the director of the internal audit unit or the director of the compliance unit requires the prior acceptance of the Supervisory Board. Determining the amount of the base salary and changing it for the above-mentioned persons are approved respectively – by the Supervisory Board or its relevant committee – using the Bank's other internal regulations concerning the remuneration of MRTs.

Terminating an employment contract and changing the terms and conditions of an employment contract as regards the position or a change resulting in a reduction in the base salary, made on the employer's initiative vis-à-vis an employee of the internal audit unit or an employee of the compliance unit other than a director requires the prior approval of the President the Management Board.

## ASSESSMENT OF COMPLIANCE OF THE REMUNERATION POLICY OF PKO BANK POLSKI S.A. WITH THE PRINCIPLES OF CORPORATE GOVERNANCE OF THE PFSA AND OTHER REGULATORY REQUIREMENTS

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**§ 28. 1. A supervised institution should follow a transparent policy of remunerating the members of the supervisory body and the management body, as well as persons performing key functions. The remuneration rules should be defined by means of an appropriate internal regulation (the remuneration policy).**

The Bank follows a policy of remunerating the members of the Supervisory Board and the Management Board as well as key managers. This policy is determined by means of the following internal regulations:

- 1) Policy of remunerating the employees of the Bank and the PKO Bank Polski S.A. Group;
- 2) Resolution of the Annual General Meeting of PKO Bank Polski S.A. on the adoption of the Policy of remunerating the members of the Supervisory Board and the Management Board;
- 3) Resolution of the Extraordinary General Meeting of PKO Bank Polski S.A. on determining the principles of remunerating the members of the Supervisory Board;
- 4) Principles of employment and remuneration of the members of the Bank's Management Board;
- 5) Principles of remunerating the Bank's employees whose activities have a material impact on the Bank's risk profile – Material Risk Takers at the Bank;
- 6) Principles of rewarding the Bank's employees;
- 7) Bonus rules for the Bank's employees;
- 8) Decision of the Director of the Employee Relations Division on the introduction of a recommendation programme;
- 9) Decision of the Director of the Employee Relations Division on the rules of the retention programme;
- 10) Resolution of the Bank's Management Board on determining competence to perform activities in matters relating to labour law for the Bank;
- 11) Order of the President of the Management Board on competence to perform human resources activities in matters relating to labour law;
- 12) Table of positions for the Bank's organizational units;
- 13) Rules of the Appointments and Remuneration Committee of the Supervisory Board;
- 14) the Bank's Collective Labour Agreement (CLA);
- 15) Decision of the President of the Management Board on the parameterization of bonuses in accordance with the bonus rules for the Bank's employees;
- 16) Decision of the President of the Management Board on the parameterization of bonuses for the Material Risk Takers of the Bank;
- 17) Table of the guaranteed minimum rates of base monthly remuneration under the CLA.

The aforementioned regulations have been reviewed in terms of their consistency with the PFSA's Corporate Governance Rules, transparency and other regulatory requirements (i.e. the CRD, EBA, Banking Law and PFSA guidelines):

The remuneration regulations are available for review by all the Bank's employees affected by the said regulations via the Bank's intranet pages.

The PFSA's inspection took place in 2023, following which recommendations were made indicating the need to improve:

1. the Bank's functioning in the area of corporate governance by reviewing and assessing the reasonableness of the adopted exception from the application of certain provisions of the Corporate Governance Principles (CGP) and limiting the exceptions in terms of § 28(4) of the CGP "The governing body shall assess whether the established remuneration policy is conducive to the development and safe operation of the supervised institution".

2. In terms of the remuneration policy for persons with significant influence on the Bank's risk profile:

- to put in place controls to ensure that individuals with a material impact on the Bank's risk profile are identified, as required by Commission Delegated Regulation (EU) 2021/923,



- the introduction of controls to ensure that the review of MRT positions is carried out in accordance with the standards set out in Section 5 of the EBA/GL/2021/04 Guidelines,
- taking into account long-term liquidity risk in the results adopted for the determination of variable remuneration components, in accordance with the provisions of § 27 of the Risk Management System Regulation,- eliminating from the objectives set for the Directors: Personnel Management Division, Internal Audit Department, Compliance Department, Legal Department - indicators unrelated to their functions, in accordance with the provisions of § 28 of the Risk Management System Regulation,
- verification and clarification of the adopted criteria of a quantitative nature for the application of the malus solution, ensuring a link between the targets originally set and their historical verification, in particular regarding the reduction of remuneration in connection with changes in the Bank's capital and in the targets set for members of the Bank's Management Board.

Accordingly, work was underway at the Bank in 2023 on the relevant regulatory changes, scheduled for 2024.

**§ 28. 2. When establishing the remuneration policy, the financial position of the supervised institution should be taken into account.**

According to the remuneration policy in force at the Bank, the amount of variable remuneration is dependent on the level of achievement of the goals set. These goals are linked to the results and financial position of the Bank. They guarantee taking into account the Bank's business cycle and the risks related to its business activities. These risks are taken into account both by determining appropriate risk-sensitive criteria for performance appraisal as well as the reduction or absence of bonuses in the event of deteriorated financial results, the Bank's loss or the deterioration in other variables.

According to § 16 of the Principles of employment and remuneration of the members of the Bank's Management Board and § 13 (2) of the Principles of remunerating the Bank's employees whose activities have a material impact on the Bank's risk profile – Material Risk Takers at the Bank, variable remuneration may be reduced, including the possibility of depriving them entirely of the right to receive such remuneration, where, by the payment date, an employee holding a managerial position was responsible for:

- 1) significant deterioration in the results of the Bank and the Group due to:
  - a. an accounting loss or the risk of an accounting loss;
  - b. a risk of insolvency or the loss of liquidity (taking into account the cost of risk, the cost of capital and liquidity risk of the Bank or the Group in the long-term);
- 2) a significant negative change in the Bank's equity;
- 3) the breach of the law, regulations, procedures or duties resulting from the employment relationship of an MRT, including a member of the Management Board, or material mistakes committed by him or her, e.g. non-compliance with the internal code of conduct, compliance guidelines or basic values, especially in the areas of risk management;
- 4) adjustment to the results/goals achieved and the degree of achievement of the results/goals of MRTs, including members of the Management Board;
- 5) deterioration in the results of the units supervised by an MRT/an area supervised by a member of the Management Board;
- 6) variable remuneration awarded on the basis of incorrect, misleading information or as a result of fraud on the part of a given MRT, including a member of the Management Board.

According to § 14 of the Policy of remunerating the employees of the Bank and the PKO Bank Polski S.A. Group, in the event of extraordinary and unforeseen circumstances which require taking a conservative approach to variable remuneration, the following may be changed temporarily:

- 1) the proportion of deferred variable remuneration to non-deferred variable remuneration in favour of increasing the deferred variable remuneration;
- 2) extending the variable remuneration deferral periods;

- 3) the dates as of which the base value of variable remuneration is converted into the value of financial instruments;
- 4) the dates as of which the value of financial instruments will constitute the basis for converting a financial instrument into cash to be paid out;
- 5) the proportion of variable remuneration in cash to variable remuneration in the form of a financial instrument in favour of increasing the variable remuneration in the form of a financial instrument.

**§ 28. 3. The supervisory body shall prepare and submit a report on the assessment of the functioning of the remuneration policy at the supervised institution to the decision-making body once a year.**

The Supervisory Board fulfils its responsibilities relating to the preparation of this report on the assessment of the functioning of the remuneration policy at the Bank once a year in order to submit it to the Annual General Meeting.

**§ 28. 4. The decision-making body shall assess whether the remuneration policy in place supports the development and operational security of the supervised institution.**

The General Meeting waived the assessment and did not carry it out in 2023. Taking into account the scale of the Bank's activities and the fact that the remuneration policy, is an important element of its development and the security of its operations, the PFSA considered it inappropriate for the Bank to exclude § 28(4) of the CGP from its application.

**§ 29. 1. The remuneration of the members of the supervisory body shall be adequate to their functions and adequate to the scale of the operations of the supervised institution. The members of the supervisory body appointed to work in committees, including the audit committee, should be remunerated adequately to the additional tasks they perform within a given committee.**

The members of the Supervisory Board receive remuneration for the tasks entrusted to them. The amount of the remuneration is calculated as the product of average remuneration in the enterprise sector exclusive of bonuses paid out of the net profit in the fourth quarter of the previous year, as announced the President of Statistics Poland (GUS), and a multiplier depending on the functions performed on the Supervisory Board.

In the case of participation in at least one standing committee of the Supervisory Board, the remuneration is increased by 10%.

The remuneration awarded by the Bank reflects both the performance of supervisory functions and work in committees. Members of the Supervisory Board who are appointed to work in the committees are entitled to reimbursement of the costs incurred in performing additional duties.

**§ 29. 2. The remuneration of the members of the supervisory body, unless regulations prohibit the payment of such remuneration, should be determined by the decision-making body.**

The amount and the rules of payment of remuneration to the members of the Supervisory Board were determined by the Extraordinary General Meeting of PKO Bank Polski S.A. in Resolution No. 35/2020 of the Annual General Meeting of PKO Bank Polski S.A. on the adoption of the Policy of remunerating the members of the Supervisory Board and the Management Board.

**§ 29. 3. The principles of remunerating the members of the supervisory body should be transparent and included in the relevant internal regulation of the supervised institution.**

The principles of remunerating the members of the Supervisory Board are defined in the aforementioned resolutions of the General Meeting which constitute, pursuant to § 392(1) of the Commercial Companies Code, a relevant internal regulation in this respect.

**§ 30. 1. The supervisory body, taking into account the decisions of the decision-making body, shall be responsible for the adoption of an internal regulation specifying the principles of remunerating the members of the management body, including detailed criteria and conditions justifying eligibility for variable remuneration components.**

The Supervisory Board, taking into account the decisions of the General Meeting of PKO Bank Polski S.A., introduced internal regulations defining the principles of remunerating the members of the Management Board, i.e.:

- ▶ Policy of remunerating the employees of the Bank and the PKO Bank Polski S.A. Group;
- ▶ Principles of employment and remuneration of the members of the Bank's Management Board.

By way of the Principles of employment and remuneration of the members of the Bank's Management Board, the Supervisory Board adjusted the Bank's internal regulations to the provisions of the Act of 9 June 2016 on the rules of determining the remuneration of persons managing certain companies by determining the maximum amount of fixed remuneration of the members of the Bank's Management Board in the form of multiples of the average monthly remuneration in the enterprise sector without the payment of rewards from profit earned in the fourth quarter of the previous year, announced by the President of Statistics Poland, excluding the possibility of receiving fixed remuneration for performing the function of a body member in the subsidiaries in the Bank's Group, by determining the maximum ratio of variable and fixed remuneration components in accordance with the provisions of the aforementioned Act.

These regulations specify jointly the detailed and general criteria for remunerating the members of the Bank's Management Board, including their eligibility for fixed and variable remuneration.

**§ 30. 2. The supervisory body shall exercise supervision over the introduced remuneration policy, including a review of the fulfilment of the criteria and conditions of eligibility for variable components of remuneration prior to the payment of the whole or a part of such remuneration.**

**1) Ensuring supervision over the remuneration policy**

The Supervisory Board approves the Remuneration Policy and reviews the Policy on a periodical basis. Based on these reviews, the Supervisory Board may recommend updating the Policy.

**2) Determining the criteria and conditions of eligibility for variable remuneration prior to the payment of variable remuneration in whole or in part**

The Supervisory Board determines the values and weights of goals for the members of the Bank's Management Board under the Management by Objectives (MbO) system and approves their implementation.

**3) Verification of fulfilment of the criteria and conditions of eligibility for variable remuneration prior to the payment of variable remuneration in whole or in part**

Pursuant to § 16-17 of the Principles of employment and remuneration of the members of the Bank's Management Board, the Supervisory Board decides on the determination of occurrence of the reasons regarding the payment of variable remuneration and the application of malus type solutions to variable remuneration for the individual members of the Bank's Management Board. A malus type solution may be applied in the event of the reasons for reducing variable remuneration, enumerated in § 16 of the Principles. If the Supervisory Board should decide on the occurrence of a reason for applying a malus solution, the variable remuneration for a given evaluation period may be reduced in full or in part. Similar decisions are made by the Management Board in relation to Material Risk Takers (MRTs) pursuant to § 13 (2) of the Principles of remunerating employees whose activities have a material impact on the Bank's risk profile – Material Risk Takers at the Bank, with the proviso that malus in the case of MRTs concerns deferred variable remuneration.

**§ 30. 3. As regards persons performing key functions, the responsibility for the introduction of a relevant internal regulation and for supervision over that area shall lie with the management body.**

By way of Resolution No. 694/C/2017 of 19 December 2017 on the introduction of principles of remunerating the Bank's employees whose activities have a material impact on the Bank's risk profile – Material Risk Takers (MRTs) at the Bank (as amended), the Management Board introduced the respective regulations.

**§ 30. 4. Variable remuneration components for the members of the management body or persons performing key functions should be dependent on, in particular, objective criteria, the quality of management of the supervised institution, and take into account the long-term aspects of operations and the method of pursuit of strategic goals. Awards or benefits, including those resulting from incentive schemes and other bonus schemes paid, payable or**

potentially payable, shall also be taken into account when establishing variable remuneration components. The established remuneration policy should not constitute an incentive for taking excessive risk in the operations of the supervised institution.

The variable remuneration of both members of the Management Board and other key managers is dependent on the achievement of individually defined goals related to the Bank's strategy. These goals include both quantitative and qualitative criteria, and they guarantee motivation to work and forms of conduct which allow the Bank to achieve its goals. When setting goals, the following is taken into account, among other things: achieving the best possible and stable financial results in the long term, supporting correct and effective risk management, discouraging taking excessive risk which would go beyond the risk appetite accepted by the Bank, limiting the conflict of interests and supporting the pursuit of the Bank's business strategy (the incentive system takes into account the achievement of strategic objectives).

The management objectives of individual members of the Management Board should, in accordance with the area of responsibility entrusted to them, also take into account criteria such as the Bank's care for taking into account the social interest and the Bank's contribution to environmental protection and prevention of possible negative social effects of the Bank's operations or to their liquidation.

Furthermore, the rules applied to the members of the Management Board and other MRTs provide for the possibility to reduce payments in the event of a breach of the law, regulations, procedures or duties resulting from the employment relationship of the above-mentioned persons or material errors committed by them, especially in the areas of risk management.

**§ 30. 5. The remuneration of a member of the management body or persons performing key functions should be financed and paid from the funds of the supervised institution.**

The remuneration of the members of the Management Board and other key managers (MRTs) is financed and paid from the Bank's own funds. It is not dependent on the results of the parent company as the Bank itself is the parent company in the Group.

## ASSESSMENT OF WHETHER THE REMUNERATION POLICY SUPPORTS THE DEVELOPMENT AND OPERATIONAL SECURITY OF PKO BANK POLSKI S.A. INCLUDING AN ASSESSMENT OF THE IMPACT ON GOVERNANCE

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### 1. General comments

As an institution of public trust, the Bank conducts its business activities with utmost care and attaches particular importance to the professionalism and ethics of its employees. Therefore, the remuneration policy, which is an important element of the development and security of the Bank's operations, is implemented by the Bank's Management Board with the support of the Employee Relations Division.

In 2023, the Bank and the Group continued the remuneration policy which leads to ensuring a consistent and transparent remuneration system based on linking the amounts of remuneration to the individual groups of grade categories and comparing them with market wages. The Bank has continued a policy consistent with the method of the evaluation of positions, relating to determining the individual weights of positions according to: skills, problem-solving and the effect on results as well as a programme of recommending job candidates.

The remuneration policy does not encourage excessive risk-taking and – taking into account the Bank's financial position – it is balanced, supports the pursuit of the Bank's strategic goals and its long-term development. This policy is implemented with regard to the three elements described below, each of which meets the requirements set out in the current regulations.

### 2. Fixed remuneration

In the process of awarding fixed remuneration, the Bank is guided by market-based wage benchmarks and the categories of grades for individual positions presented in more detail in points 3 and 4 of the description of the remuneration policy in this report. Positions are evaluated in terms of skills, problem-solving and the effect on results. The minimum guaranteed base salary rates for the individual groups of grades are determined in the Collective Labour Agreement.

The Bank follows the method of evaluating positions implemented in 2019. In doing so, it strives to guarantee remuneration that is competitive in relation to market levels. The model of evaluation of positions currently used at the Bank enables career paths to be set clearly for individual employees and lays the foundations for introducing a coherent remuneration system at the Bank.

In order to ensure the security and control of remuneration, the Bank takes action to avoid determining the level of fixed remuneration above the market level while avoiding excessive employee resignations and increased employee turnover costs that could occur if salaries were set at a level lower than the market level. To do so, the Bank monitors fluctuation ratios for the individual positions in order to adjust the assumptions of the remuneration system (if necessary) in the event of negative phenomena in the area of human resources.

A limited and strictly specified group of employees, which is defined in the Bank's regulations on defining the competences to perform human resource activities in matters relating to the labour law, is entitled to define and change remuneration.

### 3. Variable remuneration

The Bank regulates the process of awarding variable remuneration in: the Principles of employment and remuneration of the Members of the Bank's Management Board, the Principles of remunerating employees whose activities have a material impact on the Bank's risk profile (Material Risk Takers of the Bank), and the bonus rules for the Bank's employees.

The Bank's policy on variable remuneration components takes into account the specific nature of the positions for which goals related Group's strategy are set. The quantitative and qualitative goals set guarantee that the Bank's business cycle and the risks related to its business activities are taken into account. The variable remuneration of employees working in the compliance, audit, legal, banking risk and personnel management units is not directly dependent on the financial

results of the Bank and its Group, so as not to affect their objectivity and independence. As at 31.12.2023, the objectives of these employees resulted from their functions.

The members of the Management Board and other MRTs – as persons having special influence on the level of security and the stable development of the Bank – are subject to particular restrictions in the area of remuneration. Variable remuneration components are awarded to MRTs for a given bonus period (a calendar year) after accounting for bonus targets in the form of: non-deferred and deferred remuneration. The non-deferred part represents 60% of variable remuneration, and the deferred part – 40% of variable remuneration. In the case of variable remuneration which is higher than the amount specified in the remuneration principles, the percentage of deferred remuneration increases accordingly. 50% of the deferred and non-deferred variable remuneration for MRTs is paid in cash, and the remaining 50% in the form of a financial instrument, as phantom shares.

In 2020, due to the circumstances relating to the announcement of the state of the epidemic and the PFSA's letter of 17 April 2020, the Bank's Supervisory Board, by virtue of Resolution No. 66/2020 of 25 June 2020, changed the proportions of the deferred and non-deferred variable remuneration for Members of the Management Board for 2019 of 60% and 40% respectively. By virtue of the above resolution the Supervisory Board also changed the proportion between the component of variable remuneration for 2019 paid in cash and as phantom shares to 40% and 60% respectively. Furthermore, the deadline for the payment of the amount resulting from converting phantom shares into cash was extended, i.e. 1 July 2022. As regards the unpaid variable remuneration for 2016-2019, the payment deadline was extended by 180 days. The moment of reference for the conversion of the base value of the variable remuneration for these years into phantom shares for April 2020 as regards the intraday prices of the Bank's shares on the WSE was also changed, just as the moment of conversion of the phantom shares for these years, until April of the calendar year in which payment is made. The aforementioned changes were maintained in 2023 for variable remuneration for 2018-2019.

The Management Board introduced similar changes for MRTs by virtue of the resolution of 25 May 2020 on the extraordinary payment of variable remuneration components awarded to employees whose activities have a material impact on the Bank's risk profile – Material Risk Takers at the Bank. The change in variable remuneration for 2017-2019 was also maintained for MRTs that were not members of the Management Board in 2022. In addition, in 2021 with respect to the variable remuneration for 2020 of the members of the Management Board and other MRTs, the amount of the funds paid in 2023 for the deferred component of the remuneration was reduced by 21% due to the uncertain economic environment.

If good and stable results are achieved, the value of the Bank increases, which results in an increase in the final cash payment resulting from converting shares into cash. In an opposite situation, the payment may be reduced. This mechanism motivates MRTs, including the members of the Management Board, to care about the results and development of the Bank.

The parameterization of bonuses for all employees is made taking into account the Bank's situation and the market benchmarks of the financial sector. The maximum bonus levels and bonus indicators are determined after prior consultation with the human resources and controlling units and after obtaining the opinion of the compliance unit.

In justified cases, each bonus may be reduced, including the possibility of depriving an employee entirely of the right to receive such remuneration in the event of violating the principle of social co-existence or customers' interests.

In special cases, employees may receive a discretionary reward.

#### **4. Non-wage benefits**

The Bank has an attractive, market-comparable offer of additional non-wage benefits presented in more detail in point 7 of the description of the remuneration policy in this report. As part of the non-wage benefits, the Bank offers an Employee Pension Scheme, benefits from the Social Benefits Fund, medical care as well as benefits supporting sports and wellness activities. The employees manage their non-wage benefits through an appropriate cafeteria platform in a transparent manner.

On the one hand, the benefits granted motivate the employees to care about the Bank's results and, on the other hand, they perform a retention function – irrespective of dedicated retention programmes – thanks to which the Bank's ongoing

operations within individual processes are secured. In addition, the educational motivators awarded as part of the above-mentioned benefits translate directly into the Bank's development through the development of its employees.

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## 5. Assessing the impact on the way the Bank is managed

The Supervisory Board supervised, in particular on the basis of § 15 (1) sentence 1 of the Bank's Articles of Association, the implementation and application of the remuneration principles in the Bank by the Management Board. The Supervisory Board positively assesses the impact of the remuneration principles at the Bank resulting from the remuneration policy in force, including the provisions indicated in the section "ASSESSMENT OF THE COMPLIANCE OF THE REMUNERATION POLICY OF PKO BANK POLSKI S.A. WITH THE PRINCIPLES OF CORPORATE GOVERNANCE OF THE PFSA AND OTHER REGULATORY REQUIREMENTS" on the way the Bank is managed.

# POLICY FOR REMUNERATING MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD OF Powszechna Kasa Oszczędności Bank Polski S.A.

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## Basis for the review

Pursuant to § 13(2) of the Policy for remunerating members of the Supervisory Board and Management Board of Powszechna Kasa Oszczędności Bank Polski S.A. (hereinafter referred to as: Remuneration Policy), the Policy is reviewed at least every four years. The results of the review are submitted to the General Meeting by the Supervisory Board. The Remuneration Policy was adopted by Resolution No. 35/2020 of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna of 26 August 2020, which reinforces the case for reviewing it before the lapse of the four-year time limit set out in the above provision, i.e. in 2024. In the course of the review, particular consideration was given to changes in generally applicable laws and guidelines of the relevant supervisory authorities, including the EBA and the PFSA, that had taken place since 2020.

### 1. Specific issues

The review considered the entirety of the regulations contained in the Remuneration Policy, with a particular focus on the issue of claiming back variable remuneration components, as referred to in Article 90d section 4(4) of the Act of 29 July 2005 on public offering, the conditions for introducing financial instruments to the organised trading system and on public companies.

The Remuneration Policy does not stipulate a duty to return variable remuneration that has already been awarded and disbursed, but (under its § 14) it entitles the Bank's Supervisory Board to adopt additional resolutions according to which, among other things, the Bank may claim back the variable remuneration. The variable remuneration of members of the Management Board is subject to the restrictions described in the section "DESCRIPTION OF THE REMUNERATION POLICY", which, in the Supervisory Board's opinion, constitutes a complete and sufficient safeguard of the Bank's interests and meets external standards, in particular those applicable to the banking sector. The provisions of Article 735 § 1 of the Civil Code in connection with Article 471 et seq. of the Civil Code in connection with Article 58 of the Civil Code make it possible to assess that the Polish legal system does not provide for a basis for introducing further restrictions as regards the return of remuneration for services rendered (this issue is governed by statutory provisions on liability for non-performance or improper performance of an obligation), which results in a lack of convincing grounds for introducing additional regulations on claiming back variable remuneration components to the Remuneration Policy. The regulatory framework governing this topic has not changed since the General Meeting adopted the Remuneration Policy, so there are no grounds for making an adjustment in this regard.

### 2. Results

Following comprehensive consideration of the relevant practical aspects and the applicable standards, it must be concluded that the review supports the approach that it is not advisable to modify the Remuneration Policy by introducing a material change as referred to in Article 90e(4) of the Act on public offering.