

**RESOLUTION No /2024
of the Annual General Meeting
of Powszechna Kasa Oszczędności
Bank Polski Spółka Akcyjna
of 28 June 2024 r.**

**amending Resolution No 50/2015 of the Annual General Meeting of Powszechna Kasa Oszczędności
Bank Polski Spółka Akcyjna of 25 June 2015 on the “Corporate Governance Principles for supervised
institutions”**

Acting pursuant to Article 395 § 5 of the Commercial Companies Code, the Annual General Meeting hereby resolves as follows:

§ 1.

1. In Resolution No 50/2015 of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna of 25 June 2015 on the “Corporate Governance Principles for supervised institutions” (as amended by Resolution No 33/2021 of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna of 7 June 2021) § 2 shall be repealed.
2. The General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna declares that within the scope of § 28 section 4 of the “Corporate Governance Principles for supervised institutions”, the assessment shall be made starting from the Annual General Meeting held after the end of the current financial year.

§ 2.

The resolution enters into force on the date of its adoption.

Rationale

**to the draft resolution amending Resolution No 50/2015 of the Annual General Meeting of
Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna of 25 June 2015 on the “Corporate
Governance Principles for supervised institutions”**

The Annual General Meeting, by Resolution No 50/2015 of 25 June 2015, amended by Resolution No 33/2021 of the Annual General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna of 7 June 2021 (“Resolution”), decided that within its powers, apart from the exceptions specified in the Resolution, it would be guided by the principles of Corporate Governance Principles for supervised institutions (“CGP”).

Pursuant to the Resolution, the Annual General Meeting decided to waive the principles set forth in:

- § 10 section 2 – on the introduction of personal rights or other special rights for shareholders;
- § 12 section 1 – on shareholders’ responsibility for prompt recapitalisation of the supervised institution;

- § 28 section 4 – on the assessment by the decision-making body of whether the adopted remuneration policy promotes the development and operational security of the supervised institution.

In accordance with the justification presented by the State Treasury together with the proposed draft Resolution, waiving the application of the principles specified in §10 section 2 and §12 clause 1 of the CGP was justified by the incompleteness of the process of the Bank's privatisation by the State Treasury.

Waiving the application of the principle set out in § 28 section 4 of the CGP was justified, according to the State Treasury's conclusions, by the excessive scope of the remuneration policy in question, which is subject to the assessment by the decision-making authority. In the opinion of the above-mentioned shareholder, the policy for remunerating employees who perform key functions but are not members of the supervisory or management bodies should be assessed by their employer or principal (i.e. the Bank represented by the Management Board whose activities are supervised by the Supervisory Board).

In 2023, the Polish Financial Supervision Authority conducted a problem-oriented inspection at the Bank regarding the market risk and general interest rate risk management in the banking book, as well as the management of the Bank. As a result of this inspection, the PFSA recommended improving the functioning of the Bank in the area of corporate governance by reviewing and assessing the legitimacy of the adopted deviations from the application of certain principles of the CGP, as well as limiting the deviations only to the principles that do not constitute an element of development and security of the Bank's operations.

As a result of the analysis conducted, it seems appropriate to waive the exceptions to the principles laid down in:

1) § 10 section 2 of the CGP, due to the following arguments:

Pursuant to the Commercial Companies Codes, a necessary element of establishing a shareholder's privilege is their or its statutory location, and if privileges are being established, it should be assumed that the company's interest always prevails over the shareholder's interest.

It can also be assumed that in the light of Article 3(1)(26) of the Act of 16 December 2016 on the principles for public property management (consolidated text: Journal of Laws of 2024, item 125, as amended), whereby the Bank's shares owned by the State Treasury, or the rights attached to these shares (except for the statutory exceptions) cannot be disposed of, the privatisation process should be considered completed.

2) § 12 section 1 of the CGP, due to the following arguments:

Expressing shareholders' willingness to support a managed institution in case of capital strains is a legitimate and natural process.

In addition, considering the content of Article 3(1)(26) of the Act of 16 December 2016 on the principles for public property management (consolidated text: Journal of Laws of 2024, item 125, as amended), the argument about the incomplete privatisation of the Bank, indicated as an argument for the hypotheses that this principle is not applied in justification to the Resolution, was invalidated.

It is also necessary to note the PFSA's position contained in the circular submitted to the management and supervisory boards of national banks in the form of joint-stock companies in 2023, in which the PFSA indicated that: *"Pursuant to the provisions of the Banking Law, which constitute, as should be emphasised, transposition of the CRD Directive, a substantial investor of a bank should always, in view of its possible impact on the bank and its financial standing, ensure prudent and stable management of the bank, in particular:*

- 1) guarantee the exercise of their rights and obligations in a manner which duly protects the interests of the bank's customers and ensures the security of the funds accumulated in the bank;*
- 2) be in good financial standing, in particular regarding the impact of the implementation of the investment plans on the future financial situation of the bank;*
- 3) ensure that the bank complies with prudential requirements arising from the law, including those relating to own funds, liquidity standards, internal control, and risk management.*

Considering the above requirements, each substantial investor of the bank is specifically obliged to provide adequate capital and liquidity support to the bank in any situation requiring such support. It should be stressed that most investors in Polish banks have made appropriate commitments in this respect to ensure compliance with these obligations. However, the absence of such commitments does not in any way affect the objective existence of the obligations in question. Capital or liquidity support should be provided without prior request from the PFSA, based on available information and own assessment of the bank's economic and financial standing. In turn, the bank's management board and supervisory board are obliged to identify the need for support in a timely manner and to immediately inform a substantial investor of the bank.

The refusal to grant or provide the support in question, as well as any circumstances calling into question the ability or willingness to grant it, including the declarations of a substantial investor concerning his readiness to provide support in the future, constitute grounds for calling into question the investor's compliance with the abovementioned requirements relating to its appropriateness and, consequently, the application by the PFSA of the sanctions and supervisory measures provided for by law. In this context, it is particularly critical to assess substantial investors who would refuse the support needed because of the materialisation of risks arising from their subsidiaries' business strategies, based on which they built the value of their investment. At the same time, PFSA informs that scenarios applicable to Polish banks included in the group resolution plans or other such documents do not modify the obligation to meet the above requirements in any way, nor do they limit the obligations of substantial investors guaranteeing the permanent fulfilment of these requirements."

2) § 28 section 4 of the CGP, due to the following arguments:

In the opinion of the Bank, there are no grounds for the General Meeting to assess whether the adopted remuneration policy promotes the development and operational security of the supervised institution. That argument is particularly relevant in the light of the PFSA's recommendations contained in the post-inspection report, in which it stated that: *“Considering the scale of the Bank's operations and the fact that the remuneration policy is an essential element of its development and operational security, it was considered inappropriate to exclude the Bank from the application of § 28 section 4 of the CGP. The above resulted in the General Meeting not assessing the remuneration policy.”* Therefore, steps were taken at the Bank to review the legitimacy of the exception from applying the principle set out in § 28 section 4 of the CGP. It established that a significant part of the sector applies the CGP without excluding the standard in question.

Moreover, the General Meeting receives report on the functioning of the remuneration policy every year, which is published in the materials of the General Meeting. In addition, pursuant to Article 90g(6) of the Act of 29 July 2005 on public offering and the conditions for introducing financial instruments to the organised trading system, and on public companies, the General Meeting annually pronounces an opinion on the report on the remuneration of Members of the Management Board and Supervisory Board of PKO Bank Polski S.A., drawn up by the Supervisory Board. Therefore, it may be assumed that it is appropriate to apply a uniform practice on both issues referred to above and have the General Meeting assess not only the issue of remuneration of Members of the Management Board and Supervisory Board, but also the issue of comprehensive determination whether the remuneration policy promotes the development and security of the Bank's operations.

In view of the above, as well as the approach of the sector (other companies subject to the CGP), which largely accepts the application of the principle described in § 28 section 4 of the CGP, the General Meeting is presented with a draft resolution deciding on the application of § 28 section 4 of the CGP. Considering that the report on the functioning of the remuneration policy is prepared annually, in accordance with § 28 section 4 of the of the CGP, it is suggested that the first assessment under § 28 section 4 of the of the CGP should be done at the Annual General Meeting for the financial year 2024, which should take place in 2025 pursuant to Article 395 § 1 of the Commercial Companies Code.

The project of the resolution has received the positive opinion of the Supervisory Board.