

POLICY CONCERNING THE ASSESSMENT OF THE SUITABILITY OF CANDIDATES FOR MEMBERS AND THE MEMBERS OF THE SUPERVISORY BOARD OF POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A.



Bank Polski

Chapter 1. General provisions

§ 1.

1. The aim of the policy concerning the assessment of the suitability of candidates for members and the members of the Supervisory Board of the Bank (hereinafter called the “Policy”) shall be to ensure a coherent suitability assessment system, taking into account the principle of proportionality, setting out the principles and criteria for making such assessment, selecting and ensuring a coherent system of familiarizing the members of the Bank’s Supervisory Board (hereinafter called the “Board”) with their duties and managing their succession.
2. The suitability of a candidate for a Board member and of a Board member shall mean that the said person has an unblemished reputation and that he or she has, independently or together with other people, an appropriate level of the knowledge of the Bank’s activities and the risks related to those activities, as well as skills and experience which allow him or her to perform their duties. The suitability shall also encompass the integrity, ethicality and independence of judgement of each person referred to in the first sentence and the ability to commit sufficient time to perform his or her duties.
3. The Policy shall define the main trends in the Bank’s activities as regards the assessment of the suitability of candidates for Board members and the Board members, including:
 - 1) setting out the principles and criteria for assessing suitability;
 - 2) supervising the assessment of suitability and monitoring its current status;
 - 3) familiarization with duties and succession planning.
4. The assessment of the suitability referred to in section 2 shall be carried out on the basis of the analysis of the requirements arising from the generally applicable laws, including, in particular, the requirements referred to in Article 22aa of the Act of 29 August 1997 – the Banking Law, taking into account EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (hereinafter called the “Guidelines”), the Methodology for the assessment of the suitability of the members of the bodies of supervised entities issued by the Polish Financial Supervision Authority, the principles of this Policy and on the basis of the documents provided by a candidate for a Board member or a Board member and the declarations made.

§ 2.

1. In recognition of section 3, the Bank’s Management Board shall be responsible for implementing the Policy, as well as amendments to the Policy – if recommendations are made in this regard.
2. The Policy and amendments thereto shall be approved by the General Meeting of the Bank (hereinafter called the “GM”).
3. The Board, in recognition of sections 4 and 5, shall be responsible for:
 - 1) reviewing the preparation and implementation of the Policy;
 - 2) monitoring the effectiveness of the Policy applied by the Bank, in particular the assumed objectives of the Policy, including those relating to the principle of diversification and its adequacy to the overall framework of corporate governance, corporate culture and risk appetite;
 - 3) recommending the needs to amend and the scope of amendments to the Policy to the GM;
 - 4) ongoing monitoring of the occurrence of situations which may affect the suitability of a Board member or the Board.
4. The Bank’s compliance unit, in analysing the information concerning the impact of the Policy on the Bank’s observance of the generally applicable laws, supervisory recommendations, the market standards adopted at the Bank and the Bank’s internal regulations, should report all compliance risks identified and cases of non-compliance to the Board.
5. The Board, in recommending amendments to the Policy to the GM, shall take into account the recommendations of the Appointments and Remuneration Committee and the comments (if any) of the Bank’s units responsible for: human resources, risk management, compliance and internal audit recommendations.
6. The Bank’s unit responsible for human resources management shall participate in carrying out the tasks referred to in section 3 in cooperation with other competent units of the Bank, as well as – if need be – with the participation of independent, external consultants.

Chapter 2. Implementation of the Policy

Subchapter 2.1. Selecting Board members and succession planning

§ 3.

1. Board members shall be appointed and dismissed by the GM, taking into account the assessment of whether candidates meet the requirements set out in Article 22aa of the Act of 29 August 1997 – the Banking Law.
2. Board members shall be selected in such a manner as to ensure that competent people are selected, who guarantee their suitability and proper performance of the duties imposed on them.
3. Without prejudice to the GM’s competences to appoint Board members, including replacing all of its members at the same time, in deciding on selecting new Board members, the GM shall bear in mind:
 - 1) the objective, which is to ensure the continuity of decision-making with regard to supervision over the Bank’s activities and, thereby, if possible, the need to avoid situations in which too many Board members are being replaced at the same time;
 - 2) the need to ensure the pursuit of the Bank’s strategic objectives;
 - 3) the principle of diversity of the composition of the Board;
 - 4) ensuring the collective suitability of the Board.
4. Selecting Board members shall take into account the obligation that the Bank should have an appropriate number of independent members on the Board, who meet the independence criteria for an audit committee member, set out in the Act on Registered Auditors, Registered Audit Companies and on Public Oversight as well as the independence criteria indicated in the Best Practice for WSE-Listed Companies.
5. In the event of a vacancy for a Board member, other than as a result of the GM’s decision, in particular in a sudden and unexpected situation, the Board shall immediately make a self-assessment of its collective suitability, including an assessment of the impact of the occurrence of that vacancy on the continued functioning of the Board and its Committees and, if need be, initiate an additional suitability assessment with a view to the GM taking measures to ensure the collective suitability of the Board.

Subchapter 2.2 Policy of diversity - assumptions for the diversification of the composition of the Board

§ 4.

1. The Policy of suitability shall be pursued at the Bank, taking into account the principle of diversification of the composition of the Board.
2. The principle of diversification is to ensure that Board members are selected appropriately, in a manner that makes it possible to reach a broad range of competences, knowledge and skills, adequate to a position, which guarantee that the Board members issue - individually and as a body - independent opinions and decisions concerning all of the Bank's activities.
3. The principle of diversification in selecting Board members shall be based on objective substantive criteria relating to educational background, skills and professional experience. Additional criteria supporting the diversity of the composition of the Board are gender and age.
4. The objectives concerning the diversification of the composition of the Board shall be taken into account in selecting only insofar as this does not have a negative impact on the functioning and suitability of the Board, with a good practice being seeking to ensure that the Board members have an adequate knowledge of Polish.
5. The GM, taking into account the result of the assessment of suitability, in selecting Board members, shall strive to achieve a balance as regards gender representation on the Board, at least to achieve a minimum gender minority of 30%.

Subchapter 2.3 Principles for the assessment of suitability

§ 5.

1. The assessment of the suitability of candidates for Board members and the Board members shall take the form of the assessment of individual and collective suitability.
2. Individual suitability shall be assessed by the GM as part of:
 - 1) a preliminary assessment - carried out in connection with appointing a Board member;
 - 2) a periodical assessment - made once a year;
 - 3) an additional assessment, made in other justified cases, in particular in the event of the occurrence of circumstances affecting the suitability assessment to date, primarily the guarantee assessment, however, in making an additional suitability assessment, among other things, the nature of the circumstances which make it necessary to carry out the assessment, including whether they are individual or collective in nature in the context of the range of the duties assigned to a Board member/the Board as well as the credibility and reliability of the circumstances providing the basis for making that assessment, shall be taken into account.
3. In assessing individual suitability, a person's qualifications shall be taken into account, understood as knowledge, experience and skills as regards their suitability for the functions performed and duties entrusted, as well as, accordingly, with regard to the principles for supervising the Bank's activities and potential conflicts of interest which it may entail as well as reputation understood as a sufficiently good reputation. In addition, an assessment of integrity and ethicality of conduct, an ability to formulate an independent judgement, the fulfilment of the independence criteria, and the possibility to commit sufficient time to perform the duties entrusted, including restrictions on undertaking other activities and the possibility of performing the duties entrusted in periods of particularly increased activity, such as, among other things, restructuring, a relocation of the institution, an acquisition, a merger, a takeover or a crisis situation, shall be taken into account.
4. Collective suitability shall be assessed by the GM as part of:
 - 1) a preliminary assessment - carried out in connection with appointing the Board for a new term in office or new Board members;
 - 2) a periodical assessment of the Board members made once a year;
 - 3) an additional assessment, made in other justified cases, in particular those relating to significant changes in the organization of the Bank, which affect the requirements set for the Board and its individual members, in connection with which the assessment of a Board member's individual suitability in terms of newly undertaken tasks and the necessary requirements, shall also be taken into account.
5. In assessing collective suitability, the criteria arising from the guidelines of a domestic or European supervisory authority issued in this regard and the requirements set out in the generally applicable laws shall be taken into account, focusing primarily on ensuring an appropriate level of knowledge, skills and experience in the context of the nature and range of the Bank's activities and the material risks of those activities and in terms of the ability of the Board as a body to perform supervisory functions at the Bank.
6. The individual aspects of suitability shall be assessed taking into account the principle of proportionality which covers, depending on the criterion, elements such as: the scale, nature and complexity of the Bank's activities, the number of the members of the management and supervisory bodies, the need to ensure the proper performance of tasks relating to management and supervision, the limits on combining positions for important banks.
7. In the event of the occurrence of circumstances which may potentially and materially affect the assessment of individual or collective suitability to date, in particular:
 - 1) in a situation relating to the possibility that the crime of money laundering or terrorism financing has been committed or an attempt has been made to commit such crime or
 - 2) the Board members taking up other functions on the management boards and supervisory boards in other entities, taking into account the limits on combining positions for important banks,the Board shall immediately analyse the impact of such circumstances on the assessment of the suitability of a Board member or the Board, take appropriate measures to maintain the suitability and, if need be, initiate an additional assessment of individual or collective suitability with a view to the GM taking measures to ensure the suitability of the Board members and the Board.
8. For the purposes of monitoring the occurrence of situations which may affect individual or collective suitability, a Board member shall inform the Board of the existence of circumstances which may potentially and materially affect the assessment of individual suitability to date, including primarily the circumstances referred to in section 7.

Subchapter 2.4 Suitability assessment procedure

§ 6.

1. The GM shall be competent to assess both the individual and collective suitability of candidates for Board members and the Board members.
2. The assessment of the suitability of a candidate for a Board member, in recognition of sections 10 and 11, shall be made by the GM based on the declarations and documents provided by the candidate for a Board member or it shall decide that the GM be adjourned in the absence of the documents and information required for making the assessment so that they can be supplemented.
3. Once the candidates for Board members have been appointed or the composition of the Board has been changed, the GM shall assess the collective suitability of the Board.
4. The Board members (individually) and the Board (collectively) as a body shall be subject to an annual suitability assessment made by the GM at which resolutions shall be adopted on acknowledging the performance of duties by the Board members, taking into account the procedure laid down in section 2. In connection with the suitability assessment made by the GM referred to in the preceding sentence, the Board shall inform the GM of the results of the pursuit of the diversity objectives referred to in § 4.

5. A Board member shall be appointed for another term in office after taking into account the result of the assessment concerning the activities of that Board member in the previous terms in office, including the previous suitability assessments.
6. The GM may carry out an additional suitability assessment in justified cases other than those specified above, affecting the requirements set for the Board or its individual members. The additional suitability assessment referred to in the first sentence shall be initiated by the Bank.
7. Where the GM, as part of an individual suitability assessment, has identified easy-to-eliminate deficiencies in aspects other than the assessment of the guarantee (i.e. reputation, integrity and ethicality) of a candidate for a Board member or a Board member or has determined the collective unsuitability of the Board, measures may be taken to eliminate the deficiencies within the set deadline, taking into account all of the circumstances and the type of the diagnosed deficiencies of a given candidate for a Board member or a Board member or the Board as a body.
8. The determination of the unsuitability of a candidate for a Board member or a Board member as part of the reassessment of the guarantee (i.e. reputation, integrity and ethicality) may result in the candidate for a Board member not being appointed or measures being taken to dismiss the Board member from his or her function.
9. The Bank shall inform the PFSA of the results of its suitability assessments, in particular the negative results of a suitability assessment and the measures taken in connection with that assessment.
10. The Bank shall provide support in the process of assessment of the suitability of candidates for Board members and the Board members. The unit coordinating the process of preparing and compiling the documentation required in the suitability assessment process shall be the human resources unit with the support of the Bank's units engaged in the process of the assessment of the Board's suitability, including, among other things, the Bank's unit responsible for: legal services, compliance and investor relations and – if need be – with the participation of independent, external consultants.
11. The Bank shall provide the GM with information and documents for the purposes of the assessment of the suitability of candidates for Board members and Board members, in particular the Bank shall present the GM with a summary of the collective suitability of the candidates for members and the members of the Board in order for the GM to assess the collective suitability of the candidates for members and the members of the Board.
12. The templates of the documents and declarations necessary for making a suitability assessment, containing information about the eligibility requirements for the position of Board member, shall be placed on the Bank's website, and they should be enclosed with the announcement of a candidacy by a shareholder, which shall be made in accordance with the provisions of the Bank's Articles of Association.

Subchapter 2.5 Criteria for assessing individual suitability

§ 7.

1. In assessing the level of knowledge, skills and experience of a candidate for a Board member and a Board member, the following shall be taken into account:
 - 1) the adequacy of the knowledge to the scale and profile of the Bank's activities as well as the scope of the function and duties being entrusted;
 - 2) the adequacy of the skills to the scope thereof required for the function being entrusted, its role and the duties arising from it, including behavioural skills in supervising an institution;
 - 3) the practical and professional dimensions of the experience gained in the previous positions and the confirmed, professional activities of a candidate for a Board member or a Board member;
 - 4) the theoretical and practical experience gained, relating to:
 - a) banking markets and financial markets;
 - b) legal requirements and the regulatory framework;
 - c) strategic planning, understanding the operating strategy or business plan of an institution and the implementation thereof;
 - d) risk management (identification, measurement and assessment, controlling, monitoring, reporting and minimizing the material risk types relating to financial institutions, including the risk of money laundering or terrorism financing, ESG risk (i.e. environmental risk, corporate governance risk and social risk) and managing the impact of ESG risk factors on the entity's activities);
 - e) the functioning of an effective internal control system, including internal audit, in financial institutions;
 - f) accounting and external audit;
 - g) the policies in place in financial institutions, which ensure effective management and supervision;
 - h) interpretation of the financial information of financial institutions, identification of the key issues based on that information, and appropriate controls and measures.
 - 5) his or her skills in:
 - a) questioning the decisions of the management body which performs a managerial function in a constructive manner;
 - b) supervising the management body in an effective manner.
2. In assessing the guarantee, the following criteria shall be taken into account, in particular:
 - 1) criminal record, in particular with regard to the crimes specified in the regulations governing the activities of the banking, capital and insurance sectors, including the regulations on money laundering and terrorism financing;
 - 2) reputation (which also includes the proceedings pending and other sanctions and measures taken against a candidate for a Board member and a Board member by a regulatory or professional body as well as a good reputation, integrity, high ethical standards and carrying out the duties arising from the managerial or supervisory function entrusted to date);
 - 3) the financial position of the person being assessed (which affects his or her susceptibility to pressure, if any, or which increases his or her tendency to accept excessive risk) as well as the financial position of the entities he or she has been managing or supervising so far;
 - 4) independence of judgement, including behavioural characteristics and the conflict of interest;
 - 5) independence in terms of the absence of relationships which might affect an objective and balanced assessment of the situation by a Board member and which would limit the member's ability to make decisions in an independent manner.
3. In assessing the ability of a candidate for a Board member or a Board member to commit sufficient time to perform the function entrusted, the following shall be taken into account, in particular:
 - 1) the number of the managerial and supervisory functions performed at the same time and the duties performed, as well as the restrictions on combining functions arising from the generally applicable laws;
 - 2) the size, nature, range and degree of complexity of the Bank's activities;
 - 3) the geographical area of the Bank's activities;
 - 4) the number of scheduled meetings of the Board and all the necessary meetings convened in addition to those scheduled;
 - 5) other significant duties of a candidate for a Board member or a Board member that may be relevant to the assessment;
 - 6) the necessary familiarization with duties and training;
 - 7) the expected amount of time which the person being assessed is required to commit to perform the duties entrusted.

4. The minimum time commitment of the Board members to performing their duties shall result from the number of meetings planned for a given calendar year in the schedule of meetings of the Board and the Committees, and if there is no schedule of meetings, from the minimum number of meetings in a calendar year, specified in the Bank's Articles of Association and the Rules and Regulations of the Board and the Board's Committees, including:
 - 1) the time necessary to prepare for the meetings, assessed from the angle of the functions performed on the Board or the Committees and their number and
 - 2) the time necessary to travel to the Bank's seat in the case of face-to-face meetings.

Subchapter 2.6 Criteria for assessing collective suitability

§ 8.

As regards collective suitability, the Board members must meet the requirements for individual suitability and, in aggregate, meet the requirements:

1. for the knowledge, experience and skills with regard to:
 - 1) the main areas of the Bank's activities specified in the Articles of Association and internal regulations of the Bank and other areas necessary for supervising the Bank's activities, including with regard to: financial and capital markets, solvency and models, financial accounting and reporting, information technology and security, local, regional and global markets, the legal and regulatory environment, strategic planning, managing domestic and international groups, and the knowledge of the requirements for the implementation of regulations on counteracting money laundering and terrorism financing in banks, enabling the supervisory function to be carried out in this respect;
 - 2) the material risks in the Bank's activities, referred to in the Bank's internal regulations on risk management, including the risk related to money laundering and terrorism financing, ESG risk and ESG risk factors, enabling the supervisory function to be carried out in this respect;
 - 3) in terms of the ability to perform supervisory and control functions, as well as managerial skills enabling duties to be performed in a prudent and stable manner.
2. concerning the guarantee of the proper performance of duties, including those relating to the independence of judgement, being independent and the possibility of devoting sufficient time to perform their functions;
3. arising from the generally applicable laws, in particular: the Commercial Companies Code, the Banking Law, the Act on Registered Auditors, Registered Audit Companies and on Public Oversight.

Subchapter 2.7 Familiarization with duties and development needs

§ 9.

1. Familiarizing the Board members with their duties shall be aimed at ensuring a Board member's suitability and to make it easier to gain an understanding of the Bank's structure, business model, risk profile and the principles for supervising the Bank's activities, as well as the Board member's role in the organization, allowing the duties entrusted to be performed in an effective manner.
2. All newly appointed Board members shall receive the key information relating to their positions, including, among other things, information concerning the organization of the Bank, the Board, the Board's committees, and the Bank's Management Board no later than within 1 month of the date of appointment, and they shall be familiarized with their duties within 6 months from the date of taking up their functions.
3. Where necessary to ensure the proper performance of the tasks entrusted or in the case of competence gaps identified as regards individual or collective suitability, and in the case of individual and collective development needs reported, measures shall be taken to enable the acquisition of the expected competences by the Board members.
4. The reported development activities of the Board members shall be organized by the Bank's unit responsible for improving competences and the organization of training in cooperation with the Office of the Bank's Management Board, the Bank's human resources unit, as well as with other, competent – in terms of the substantive scope of the development activities – units of the Bank.
5. As part of the Board meetings, the Board members shall be presented with information concerning issues which are important to the Board, among other things, those related to changes in regulatory requirements, new areas of activities, strategic objectives and risks specific for the Bank's activities, which ensures the ongoing development of the knowledge, skills and competences of the Board members.