

**RESOLUTION No. /2020
of the Annual General Meeting of
Powszechna Kasa Oszczędności
Bank Polski Spółka Akcyjna
of 26 August 2020**

**on the adoption of the Remuneration Policy for the members of the Supervisory Board
and the Management Board**

Acting pursuant to Article 90d, clause 1 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 General Meeting adopts the following:

§ 1.

1. The Remuneration Policy for the members of the Supervisory Board and the Management Board of Powszechna Kasa Oszczędności Bank Polski S.A. shall be adopted, as set out in Appendix No. 1 to this resolution.
2. The Remuneration Policy for the members of the Supervisory Board and the Management Board, referred to in § 1, clause 1, shall come into force as from the beginning of 31 August 2020 and shall apply to all unpaid fixed and variable remuneration of the members of the Supervisory Board and the Management Board.

§ 2.

The Supervisory Board shall be authorized to established further rules of employment and remuneration of the members of the Bank's Management Board, which specify in detail the provisions of the Remuneration Policy for the members of the Supervisory Board and the Management Board, referred to in § 1, clause 1 – in line with the assumptions of that policy arising from the appendix to this resolution and the generally applicable laws.

§ 3.

This resolution shall come into force as of the date of its adoption.

Rationale

**to the draft resolution on the adoption of the Remuneration Policy for the members
of the Supervisory Board and the Management Board**

The Act of 16 October 2019 on the amendment to the Act on public offerings and conditions governing the introduction of financial instruments to organized trading and on public companies and to certain other acts (Journal of Laws of 2019, item 2217), hereinafter called the “Act on public offerings”, introduced new regulations for public companies regarding the remuneration policy. The Act puts public companies under an obligation that the General Meeting should adopt, by way of resolution, a remuneration policy for the members of the Management Board and the Supervisory Board. Since the Act provides for a personal and subject-based exemption according to which the regulations on the remuneration policy do not apply to companies which are banks, to the extent governed in Article 9ca and Article 9cb of the Act of 29 August

1997 – the Banking Law and in the secondary legislation issued on the basis of Article 9f, clause 1, point 2 and clause 2 of the Banking Law, and furthermore, on 13 March 2017 and 17 September 2019, the Extraordinary General Meeting, acting on the basis of Article 2, clause 2, point 1 of the Act of 9 June 2016 on the rules for determining the remuneration of persons managing certain companies (Journal of Laws of 2019, item 1885, as amended), hereinafter called the “Act on the rules of remuneration”, adopted resolutions on the rules for determining the remuneration of the members of the Management Board and the rules for the remuneration of the members of the Supervisory Board, therefore, the Bank has asked the consulting firm EY to evaluate whether the Bank is required to adopt a remuneration policy for the members of the Management Board and the Supervisory Board anew, in accordance with the new regulations. EY recommended that the Bank should use a prudent approach, i.e. it should establish a common remuneration policy for the members of the Management Board and the Supervisory Board, the scope of which is consistent with the new provisions of the Act on public offerings, which goes beyond the requirements concerning material risk takers on the basis of the provisions of the Banking Law and the secondary legislation or directly on the basis of the provisions of the European Union law. A survey conducted by the Polish Banks Association (ZBP) has also showed that most representatives of the banking sector in Poland will seek to implement the regulations arising from the amendment to the Act on public offerings by adopting a new remuneration policy.

Acting on EY's recommendation, firstly the resolutions of the General Meeting on rules for determining the remuneration of the members of the Management Board and the rules for the remuneration of the members of the Supervisory Board were analysed, i.e.:

- Resolution No. 2/2017 of the Extraordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna of 13 March 2017 on rules for determining the remuneration of the members of the Management Board, as amended by Resolution No. 4/2019 of the Extraordinary General Meeting of 17 September 2019;
- Resolution No. 3/2017 of the Extraordinary General Meeting of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna of 13 March 2017 on the rules for the remuneration of the members of the Supervisory Board, as amended by Resolution No. 5/2019 of the Extraordinary General Meeting of 17 September 2019

in terms of consistency with the subject-based scope of the remuneration policy as a document adopted on the basis of Article 90d of the Act on public offerings.

Based on the analysis in question, it was concluded that the aforementioned resolutions of the General Meeting may not be repealed or amended on the basis of the provisions of the Act on public offerings and there is no legal basis for the resolutions of the General Meeting adopted on the grounds of the Act on the rules of remuneration to be deprived of their legal existence (repealed) on the basis of this resolution. In this respect, following the position of the Deputy Prime Minister, the Minister of State Assets, expressed in a letter dated 22 May 2020 (DN I.V.4631.1.2020) to the Management Boards and Supervisory Boards of companies under the Minister's supervision, it was assumed that the aforementioned resolutions should

not be repealed, therefore, it is necessary to establish a remuneration policy for the members of the Supervisory Board and the Management Board, while keeping in force the resolutions of the General Meeting referred to in the preceding paragraph.

However, a decision was made to change the rules for determining the remuneration of the members of the Management Board, arising from § 3, clause 2a added to Resolution No. 2/2017 of the General Meeting based on § 1, clause 2 of Resolution No. 4/2019 of the General Meeting, to the extent arising from the wording of § 8 and § 7, clause 1 of the draft policy. In this first provision, it is clearly stated that it governs the terms and conditions of payment of variable remuneration rather than additional management objectives. At this point, it should be explained that under Resolution No. 4/2019 of the Extraordinary General Meeting of the Bank on the amendment to the resolution on rules for determining the remuneration of the members of the Management Board – an amendment was made, which consisted of adding clause 2a which reads as follows: “2a. Additional Management Objectives to be achieved shall be established, in the form of: 1) determination and application of the rules for the remuneration of the members of the management and supervisory bodies of the Bank’s subsidiaries within the meaning of Article 4, point 3 of the Act of 16 February 2007 on competition and consumer protection corresponding to the rules set out in the Act; 2) fulfilment of the obligations referred to in Articles 17-20, Article 22 and Article 23 of the Act of 16 December 2016 on the principles of State property management.” However, in accordance with the applicable Rules of Employment and Remuneration of the members of the Bank’s Management Board, newly worded and approved by the Supervisory Board on the basis of Resolution No. 71/2019 of 12 August 2019 (§ 8, clause 3) – the condition for the award of variable remuneration is the achievement of the Management Objectives listed in the newly added clause 2a. Therefore, in practice, the provision in clause 2a was treated as a condition for the payment of variable remuneration rather than as an additional management objective.

In relation to the previous subject-based scope of the said resolutions, the new resolution of the General Meeting, adopting a remuneration policy for the members of the Supervisory Board and the Management Board covers additional information about the issues indicated in Article 90d, clause 3, points 3, 5, 6, and 8 of the Act on public offerings, i.e.:

- an explanation of how the terms of work and pay of the company’s employees other than the members of the Management Board and the Supervisory Board were taken into account in establishing a remuneration policy, which is reflected in § 1, clause 4 of the draft policy;
- a description of the main features of additional old age and disability pension schemes and early old age pension schemes, which is reflected in § 10 of the draft policy – in the case of the members of the Management Board and in § 4 – in the case of the members of the Supervisory Board, however, the policy directly enables the members of the Supervisory Board to join the Bank’s Employee Pension Scheme (EPS), because they have not been covered by the EPS before;
- a description of the decision-making process carried out to establish, implement and review the remuneration policy, which is reflected in § 14 of the draft policy;

- an indication of how the remuneration policy contributes to the pursuit of the business strategy, long-term interests and stability of the Bank, which is reflected in § 1, clause 5 and § 7, clause 3 of the draft policy.

Irrespective of the remuneration policy adopted by the General Meeting, which is essentially of a general nature and which constitutes an act of the highest order as regards regulating the remuneration of the members of the Supervisory Board and the Management Board, the following regulations adopted in accordance with the relevant procedures are also in force at the Bank: the Remuneration Policy for the Employees of the Bank and the PKO Bank Polski SA Group and the Rules of Employment and Remuneration of the Members of the Bank's Management Board. They specify the provisions concerning the remuneration of the members of the Management Board in detail and more precisely. There are no plans, either, to repeal those documents in connection with the draft resolution of the General Meeting, among other facts, due to the fact that they contain several technical solutions concerning the individual remuneration of the members of the Management Board, the extensive publication of which on the Bank's websites in accordance with the requirements of the Act on public offerings is not appropriate.

The effective date of the remuneration policy is specified in § 1, clause 2 of the draft resolution of the General Meeting. The said date arises from the provisions of Article 36, clause 1 of the Act on the amendment to the Act on public offerings, as amended by the Regulation of the Minister of Finance of 22 May 2020 on setting a different date for the adoption of a resolution by the General Meeting of a company on the remuneration policy for the members of the Management Board and the Supervisory Board, issued on the basis of Article 15zzw of the Act of 2 March 2020 on specific solutions to prevent, counteract and combat COVID-19, other infectious diseases and crisis situations cause by them, § 2 of which provides that the date specified in Article 36, clause 1 of the Act on the amendment to the Act on public offerings shall be extended up until 31 August 2020.

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