

## **Report**

**on the assessment of application by Bank Polska Kasa Opieki Spółka Akcyjna of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority on 22 July 2014**

**and**

**the manner of fulfillment by Bank Polska Kasa Opieki Spółka Akcyjna of communication obligations regarding the application of the principles of corporate governance**

**in 2020**

In order to meet the requirements of § 27 of the *Principles of Corporate Governance for Supervised Institutions* and the detailed principle II.Z.10.3. of *Best Practices for GPW Listed Companies in 2016*, in relations to § 18 p. 20 of the Statute of Bank Polska Kasa Opieki Spółka Akcyjna and § 4 item 2 of the Rules of procedure of Supervisory Board, there has been conducted an analysis of the application by Bank Polska Kasa Opieki Spółka Akcyjna (hereinafter "Bank") in 2020 of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority on 22 July 2014 and fulfilment by the Bank of communication obligations regarding the application of the principles of corporate governance, defined in the Warsaw Stock Exchange Rules and regulations on current and periodical information submitted by issuers of securities, the results of which are as follows:

**I. Application by Bank Polska Kasa Opieki Spółka Akcyjna in 2020 of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority on 22 July 2014**

On 14 October 2014 by the Resolution No. 356 /X/14 the Management Board adopted for application on the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority on 22 July 2014 (hereinafter 'Principles'). The Supervisory Board on 5 November 2014 by the Resolution No. 33/14 issued a positive opinion on the adoption of the Principles by the Bank. Due to the fact that some of the recommendations were addressed to the shareholders, the Ordinary General Meeting of the Bank on 30 April 2015 adopted resolution No. 25 on the acceptance of the use of the Principles.

As a result of conducted analysis that results were confirmed by units responsible for application of specific principles, it was established that in 2020 the Bank applied Principles with the exception of:

- chapter 9 related to asset management at the client's risk, in view of the fact that the Bank does not pursue any activity in this area,
- § 49 item 4 and § 52 item 2 in view of the fact that there is an audit unit and a compliance unit functioning in the Bank.

Rule defined in § 21 item 2 of the Principles related to the composition of supervisory body, in scope of the chairperson of the Supervisory Board, the Bank applied partially. The election of the chairperson of the Supervisory Board had been made on the basis of the criterion of knowledge and experience, including in the management of the work of the body, and the skills which confirm the competences necessary for the proper performance of supervision duties. Considering the above, the independence criterion was waived. The composition of the Supervisory Board meets the criteria of independence resulting from the Bank's Statute and Best Practices of WSE Listed Companies 2016. Until May 22, 2020, the Bank also partially applied the Principle, defined in § 29 section 3 of the Corporate Governance Rules for the Supervised Institutions, regarding transparency and conclusion the rules for remuneration of members of the supervisory body in the relevant internal regulations of the Bank. The remuneration of the Bank Supervisory Board members is transparent and was determined by the General Meeting taking into account the generally applicable legal regulations including requirements of the Act of 9 June 2016 on the rules for determining the remuneration of persons managing certain companies. From May 23, 2020 the principle set out in § 29 section 3 of the Corporate Governance Principles for the Supervised Institutions is fully applied by the Bank in connection with the adoption by the General Meeting on May 22, 2020 of the "Remuneration Policy of the Members of the Supervisory Board and the Management Board of the Bank Polska Kasa Opieki Spółka Akcyjna".

Moreover, in accordance with § 8 item 4 of the Principles, the Bank aiming to facilitate the participation of all shareholders in the decision making body meeting of supervised institution, inter alia by providing the possibility of an electronic active participation in the meetings of the decision-

making body, has analysed the possibility of participation in General Meeting convened in 2020 with the use of electronic communication means. Taking into account the lack of possibility for the Bank to ensure the technical conditions necessary to identify the shareholders correctly and to ensure the appropriate level of security of electronic communication during the General Meeting of the Bank, in particular during the process of voting at the General Meeting, the Management Board had resolved not to allow participation in General Meeting with the use of electronic communication means and thus refrained from the application of § 8 item 4 of the Principles.

Information about to exemption from the Principles, referred to above, were made available by the Bank on its website.

## **II. The manner of fulfillment by Bank Polska Kasa Opieki Spółka Akcyjna in 2020 of communication obligations concerning application of corporate governance rules defined in Warsaw Stock Exchange Rules and provisions concerning current and periodic information published by issuers of securities**

Corporate governance rules defined in Warsaw Stock Exchange Rules are "Best Practices for GPW Listed Companies 2016" (hereinafter "**Best Practices**") established by resolution 26/1413/2015 of Warsaw Stock Exchange Supervisory Board of 13 October 2015.

### **Application of the Best Practices by the Bank**

On 22 December 2015 by the Resolution no. 497/XII/15 the Management Board adopted Best Practices for application.

As a result of conducted analysis that results were confirmed by units responsible for application of specific recommendations and detailed principles, it was established that in 2020 the Bank applied Best Practices. The Bank partially applied:

- 1) recommendation no. VI.R.3 and detailed principle no. II.Z.7 of Best Practices, according to which the Bank should apply provisions of Annex I to the European Commission Recommendation 2005/162/WE of 15 February 2005 on the role of non-executive or supervisory directors of listed companies (hereinafter "EC Recommendation")<sup>1</sup> within the scope of tasks and functioning of committees of the supervisory board. The Bank did not apply the EC Recommendation concerning composition of Nomination and Remuneration Committee due to the necessity of providing consistent remuneration standards for management board members and key managers within the group,
- 2) until the date of May 22, 2020 recommendation no. VI.R.1 of "Best Practices" regarding inclusion in remuneration policy in the issue of remuneration of the company's bodies members and key managers, because the remuneration of Supervisory Board members was determined by the General Meeting taking into account generally applicable legal regulations including requirements of Act of 9 June 2016 on the principles of shaping the remuneration of persons managing certain companies. From May 23, 2020, Recommendation VI.R.1 "Good Practices" is fully adopted by the General Meeting on May 22, 2020. "Remuneration Policy of the Members of the Supervisory Board and the Management Board of Bank Polska Kasa Opieki Spółka Akcyjna".

Furthermore not applicable to the Bank was the Recommendation no. IV.R.2 concerning conducting general shareholders meetings with the use of electronic communication means, given the structure of shareholders, no shareholders' demands to conduct general meeting with the use of electronic communication means and no possibility to ensure technical infrastructure necessary for the efficient

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<sup>1</sup> Official Journal of the European Union L.2005.52.5 the document is publicly available at the webpage: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32005H0162>

conduct of the meeting with the use of electronic communication means and maintaining an adequate level of security of electronic communications in the course of the general meeting.

The Bank provides a general shareholders meeting broadcast in real time by transmission in Internet.

Bank Management Board decides to allow participation in General Shareholders Meeting with the use of electronic communication means if technical conditions required to participate in the General Shareholders Meeting with the use of electronic communication means shall be fulfilled by the Bank.

### **Communication obligations resulting from Warsaw Stock Exchange Rules and Best Practices**

Communication obligations concerning application of corporate governance rules have been defined in Warsaw Stock Exchange Rules (hereinafter "WSE Rules"). Provisions concerning current information concerning specific corporate governance rules have been defined by the resolution no. 1309/2015 of the Warsaw Stock Exchange Management Board of 17 December 2015.

1. The WSE Rules in § 29 item 3 states that should a specific detailed corporate governance rule not be applied on a permanent basis or be breached incidentally, the issuer shall publish a report in this matter. The report should be published at the issuer's official website and in the way analogous to that applied to submission of current reports. According to the resolution no. 1309/2015 of the Warsaw Stock Exchange Management Board reports regarding application of specific detailed corporate governance rules are transmitted through Electronic Information Basis (EBI).

In 2020, the Bank did not publish any report on the lack of a permanent or incidental breach of the detailed rule of Best Practices.

2. From 1 January 2016 issuers, independently from reports on potential non-applicability of specific rules defined in Best Practices, are obliged – in accordance with the specific rule I.Z.1.13 of Best Practices – to publish at corporate webpage information on application of the corporate governance recommendations and principles contained herein.

Taking into consideration the above from 1 January 2016 at Bank's webpage "INFORMATION ON APPLICATION BY BANK POLSKA KASA OPIEKI SPÓŁKA AKCYJNA OF BEST PRACTICES FOR GPW LISTED COMPANIES 2016" has been published.

### **Communication obligations resulting from the Ordinance of the Minister of Finance *on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state.***

In 2020 the Bank prepared and included in Report of Bank Pekao S.A. for 2019 and Report of Bank Pekao S.A. Group for 2019 *Statement of Bank Polska Kasa Opieki Spółka Akcyjna on application of Corporate Governance Standards in 2019*. The statement was prepared in accordance with the laws in force Regulation of the Minister of Finance of 29 March 2018 *on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state*, and contained all elements defined in the § 91 item 5 point 4 of both abovementioned Regulation.

In the process of elaborating the statement on application of corporate governance rules the Bank applied also the Recommendation of European Commission 2014/208/UE od 9 April 2014 on quality of reporting on corporate governance ('comply or explain' approach).

Furthermore *Statement of Bank Polska Kasa Opieki Spółka Akcyjna on application of Corporate Governance Standards in 2019* has been made available on Bank's website, which is compliant with specific rule I.Z.1.12 of Best Practices.

With this in mind, communication obligations concerning application by the Bank of corporate governance rules defined in:

- Warsaw Stock Exchange Rules

and

- Regulation of the Minister of Finance on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state,

the Bank has fulfilled in 2020 by:

- ✓ making available on Bank's website information on application by Bank Polska Kasa Opieki Spółka Akcyjna of the corporate governance recommendations and detailed principles contained in Best Practices for GPW Listed Companies 2016,
- ✓ attaching to the Report of Bank Pekao S.A. for 2019, the Report of Bank Pekao S.A. Group for 2019 and Bank's Annual Report for 2019 *Bank Polska Kasa Opieki Spółka Akcyjna statement concerning application of corporate governance rules in 2019* established according to requirements resulting from Regulation of the Minister of Finance of 29 March 2018 *on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state*, ,
- ✓ making available on Bank's corporate website *Bank Polska Kasa Opieki Spółka Akcyjna statement on application of corporate governance rules in 2019*.

#### ASSESSMENT OF SUPERVISORY BOARD

Taking into consideration the results of above analysis of application in 2020 by Bank Polska Kasa Opieki Spółka Akcyjna of the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority on 22 July 2014 and the manner of fulfillment by Bank Polska Kasa Opieki Spółka Akcyjna of communication obligations regarding the application of the principles of corporate governance, defined in Warsaw Stock Exchange Rules and provisions on current and periodic information published by issuers of securities, Supervisory Board positively assesses Bank's activities in this respect as adequate and compliant with requirements resulting from those regulations.