

14. Statement of Bank Pekao S.A. Group on Non-financial Data for 2021

Statement on non-financial information of the Bank Pekao S.A. Group for 2021

(prepared jointly with the statement on non-financial information of Bank Pekao S.A.)



Warsaw, March 2022

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1 Statement of non-financial information

1.1 Bank Pekao S.A. and Pekao S.A. Group.

GRI 102-1 Name of the organization

GRI 102-2 Description of the organization's activities, main brands, products or services

GRI 102-5 Nature of ownership and legal form

GRI 102-6 Markets served

Bank Polska Kasa Opieki S.A. (hereinafter referred to as "Bank", "Bank Pekao"), established in 1929, is one of the largest financial institutions in the region of Central and Eastern Europe and the second largest universal bank in Poland, with over PLN 200 billion in assets. The Bank conducts operations both in PLN and foreign currencies and actively participates in trading on the domestic and foreign financial markets. It offers a full range of banking services to individual and institutional customers. The Bank operates in the territory of the Republic of Poland. The activities of Bank Pekao are supervised by the Polish Financial Supervision Authority (KNF). Starting from 2017, Bank Pekao is part of the PZU S.A. Group (hereinafter referred to as the "PZU Group"), the largest financial institution in Central and Eastern Europe. Since 1998, Bank Pekao has been listed on the Warsaw Stock Exchange.

Shareholding structure as of December 31, 2021:

SHAREHOLDER NAME	NUMBER OF SHARES	PARTICIPATION IN THE SHARE CAPITAL
Powszechny Zakład Ubezpieczeń S.A.	52,494,007	20.00%
Polski Fundusz Rozwoju S.A.	33,596,166	12.80%
Aviva PTE Aviva Santander S.A.	13,281,544	5.06%
Nationale-Nederlanden PTE S.A.	13,201,655	5.03%
Other shareholders	149,896,662	57.11%
Total	262,470,034	100.00%

GRI 102-3 Location of the organisation's headquarters

GRI 102-4 Location of operating activities

GRI 102-7 Scale of operations

In 2021, the Bank had the second largest network of branches in the country, 650 outlets (563 outlets of its own retail network and 87 partner outlets) and 71 outlets of Pekao Group companies) and 1,475 ATMs located in all voivodeships. Until May 2021, there was a representative office of Bank Pekao S.A. in London. Apart from this one, the Bank did not have branches or ATMs abroad, but its customers were able to make transactions and use ATMs of other banks. As a corporate bank, Bank Pekao serves every second corporation in Poland. The Bank has an established market leadership position in private banking, asset management and brokerage activities. Pekao Bank's diversified business profile is supported by a strong capital and liquidity position while maintaining the highest standards of risk management. The head office of Bank Pekao S.A. is located in Warsaw, at Grzybowska 53/57. The additional office is located at Żwirki i Wigury 31 in Warsaw.

Bank Pekao S.A. Group. (hereinafter referred to as: "Pekao Group") consists of Bank Pekao as the parent company and its subsidiaries and indirect subsidiaries: financial institutions operating on the markets of banking, asset management, brokerage services, transaction consulting, leasing and factoring. Moreover, the Bank holds shares and stocks in associates, as well as minority interests.

In 2021, the Pekao Group included Bank Pekao and the following subsidiaries:

NAME	SEAT	SCOPE OF ACTIVITY
Pekao Bank Hipoteczny S.A.	Warsaw	Banking
Centrum Kart S.A.	Warsaw	Financial auxiliary
Pekao Direct Sp. z o.o.	Krakow	Call-centre services
Pekao Faktoring Sp. z o.o.	Lublin	Factoring services
Pekao Financial Services Sp. z o.o.	Warsaw	Transfer agent
Pekao Investment Banking S.A.	Warsaw	Brokerage
Pekao Investment Management S.A., including:	Warsaw	Holding
Pekao TFI S.A.	Warsaw	Asset management
Pekao Leasing Sp. z o.o.	Warsaw	Leasing services
Dom Inwestycyjny Xelion Sp. z o.o. (*)	Warsaw	Financial intermediation

(*) All data concerning DI Xelion Sp. z o. o. presented in *Statement on non-financial information of Bank Pekao for 2021* relate to 10 months of the year 2021 (on October 29, 2021, an agreement for the sale of 100% DI Xelion shares was signed).

GRI 102-10 Significant changes to the organization and its supply chain

The most important changes in the Pekao Group that occurred in 2021 are listed below:

- Acquisition of shares in Krajowy Integrator Płatności S.A.,
- Acquisition of shares in PeUF Sp. z o.o.,
- Sale of shares of Dom Inwestycyjny Xelion Sp. z o.o.,
- Increase of the share capital of Pekao Bank Hipoteczny S.A.

There were no significant changes in the organization's supply chain. For more information on the changes in the Pekao Group, see "Report on the Activities of the Bank Pekao S.A. Group for 2021" in subchapter 5.1.

At the time of publication of this disclosure, a war between Russia and Ukraine is ongoing. Bank Pekao became involved in helping victims of the war - it started by providing humanitarian aid to refugees coming to Poland. A special offer has been introduced for Ukrainian citizens and entrepreneurs, free of charge and linguistically adjusted. Bank Pekao is ready to provide further necessary assistance.

1.1.1 Business model

GRI 102-2 Description of the organization's activities, main brands, products or services

The Bank's business model is based on customer segmentation into the following areas:

- **RETAIL AND PRIVATE BANKING** - serving individual customers, including affluent private banking customers and micro-businesses. Private banking clients are offered investment advice through private banking centres and remote channels, while all individual and micro-enterprise clients are serviced through an extensive proprietary network of branches and partner outlets supported by market-leading remote service channels, including digital channels,
- **BUSINESS BANKING** - providing financial services to clients from the SME sector, who are served by advisers with the support of product specialists. Service is provided in specialized Business Customer Centres, Corporate Centres and universal retail branches. Customers are offered products and services tailored to their individual needs based on solutions proven in corporate banking and tailored to the needs of the enterprise segment,
- **CORPORATE AND INVESTMENT BANKING** - providing financial services to large corporate clients, public sector entities, financial institutions, and commercial real estate finance entities. Corporate and investment banking clients are served by advisers with the support of product specialists.

For more information on the business model and sales network, see "Bank Pekao S.A. Group Management Report 2021" in subchapter 7.4.

1.1.2 Scale of operations

GRI 102-7 Scale of operations

31/12/2021	PEKAO GROUP	BANK PEKAO
Total number of employees (in persons)	14,842	12,766
Total number of establishments / locations (outlets, points, etc.)	721	650
Net interest income	5,661	5,414
Net commission income	2,691	2,306
Balance sheet total	250,571	241,280
Amount of equity	23,863	23,100
Total liabilities	226,708	218,180

1.1.3 Organizational and management structure

GRI 102-11 Number and gender of members of the highest governance body and its committees

GRI 102-18 Management Structure

GRI 102-22 Structure of the highest governance body and its committees

Bank Pekao and entities of the Pekao Group have an organizational structure adapted to the size and specificity of their operations. The scope of powers of the company's governing bodies is set forth in legal regulations, and in particular in the *Commercial Companies Code*, the *Banking Law Act*, in the recommendations of supervisory bodies and in the *Articles of Association of Bank Polska Kasa Opieki Pekao Spółka Akcyjna* (hereinafter referred to as the *Articles of Association*): "Articles of Association of Bank Pekao") as well as company statutes / agreements and internal regulations of Pekao Group entities.

General Meeting of Shareholders

The supreme authority of Pekao Bank is the General Meeting of Shareholders, which operates on the basis of the *Commercial Companies Code* and *Pekao Bank's Articles of Association*. The scope of competences of the General Meeting of Shareholders is defined in legal provisions, in particular, in the *Code of Commercial Companies* and the *Banking Law*, in recommendations of supervisory bodies and in the *Bank Pekao Articles of Association*. Resolutions are adopted by an absolute majority of votes, subject to the provisions of the *Commercial Companies Code* and of the *Articles of Association of Bank Pekao*.

Supervisory Board

The Supervisory Board exercises constant supervision over the activities of Pekao Bank. It is composed of seven to nine members appointed by the General Meeting for a joint term of three years. The organization and the manner of operation of the Board are specified in the *Regulations of the Supervisory Board of Bank Polska Kasa Opieki Pekao Spółka Akcyjna*.

The composition of the Bank's Supervisory Board is as follows:

AS OF THE DATE OF THE REPORT FOR 2021	31/12/2021
Beata Kozłowska-Chyła Chairperson of the Supervisory Board	Beata Kozłowska-Chyła Chairperson of the Supervisory Board
Joanna Dynysiuk Vice-Chairperson of the Supervisory Board	Joanna Dynysiuk Vice-Chairperson of the Supervisory Board
Małgorzata Sadurska Vice-Chairperson of the Supervisory Board	Małgorzata Sadurska Vice-Chairperson of the Supervisory Board
Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board (independent member)	Stanisław Ryszard Kaczoruk Secretary of the Supervisory Board
Sabina Bigos-Jaworowska Member of the Supervisory Board (independent member)	Sabina Bigos-Jaworowska Member of the Supervisory Board
Justyna Głębiowska-Michalak Member of the Supervisory Board (independent member)	Justyna Głębiowska-Michalak Member of the Supervisory Board
Michał Kaszyński Member of the Supervisory Board (independent member)	Michał Kaszyński Member of the Supervisory Board
Marian Majcher Member of the Supervisory Board (independent member)	Marian Majcher Member of the Supervisory Board
Marcin Izdebski Member of the Supervisory Board	Marcin Izdebski Member of the Supervisory Board

The Supervisory Board performs its duties on a collegial basis; however, in order to perform certain actions or to streamline its work it may appoint committees and teams from among its members. In addition, the Board may delegate one or more members of the Supervisory Board to exercise independent supervision to the extent determined by the Supervisory Board. The following functions within the Supervisory Board of Bank Pekao: Audit Committee, Nominating and Compensation Committee and Risk Committee. The committees appointed by the Supervisory Board submit annual activity reports to the Supervisory Board.

Management Board of the Bank

The Management Board of Pekao Bank manages the Bank's affairs and represents the Bank. All matters that are not restricted by law or the Articles of Association of Bank Pekao, to the competence of other bodies, fall within the scope of activities of the Bank's Management Board. The Management Board is composed of five to nine members, appointed for a joint three-year term of office.

The Board of Directors of the Bank consisted of nine members and was as follows:

AS OF THE DATE OF THE REPORT FOR 2021	31/12/2021
Leszek Skiba President of the Bank's Management Board	Leszek Skiba President of the Bank's Management Board
Jarosław Fuchs Vice-President of the Bank's Management Board	Jarosław Fuchs Vice-President of the Bank's Management Board
Marcin Gądomski Vice-President of the Bank's Management Board	Marcin Gądomski Vice-President of the Bank's Management Board
Jerzy Kwieciński Vice-President of the Bank's Management Board	Jerzy Kwieciński Vice-President of the Bank's Management Board
Paweł Strączyński Vice-President of the Bank's Management Board	Paweł Strączyński Vice-President of the Bank's Management Board
Błażej Szczecki Vice-President of the Bank's Management Board	Błażej Szczecki Vice-President of the Bank's Management Board
Wojciech Werochowski Vice-President of the Bank's Management Board	Wojciech Werochowski Vice-President of the Bank's Management Board
Piotr Zborowski Vice-President of the Bank's Management Board	Piotr Zborowski Vice-President of the Bank's Management Board
Magdalena Zmitrowicz Vice-President of the Bank's Management Board	Magdalena Zmitrowicz Vice-President of the Bank's Management Board

As of December 31, 2021, the division of powers among the members of the Bank's Management Board was as follows:

President of the Bank Management Board Leszek Skiba convenes and chairs meetings of the Bank Management Board, presents the position of the Bank Management Board to the Bank authorities and in external relations, in particular to the State authorities. Leszek Skiba, President of the Management Board of the Bank, coordinates the work of the members of the Management Board of the Bank, issues orders in accordance with the provisions of the Bank's internal regulations.

The President of the Management Board of the Bank supervises the following areas of the Bank's operations: internal audit, compliance risk, corporate communication, investor relations, security, legal risk, strategic projects, human resources management, as well as macroeconomic analyses and digital transformation.

The President of the Bank's Management Board, Leszek Skiba, is appointed as the Member of the Management Board responsible for the implementation of the obligations set out in the Act on counteracting money laundering and financing of terrorism.

Marcin Gądomski, Vice President of the Management Board of the Bank, supervises the activities of the Risk Management Division and is responsible for overseeing the risk management process (*banc assurance*).

Vice-President of the Management Board of the Bank, Paweł Strączyński, supervises the activities of the Financial Division and has been appointed as a member of the Management Board to whom violations will be reported and who will be responsible for the day-to-day operation of the Breach Reporting Procedure (the so-called *whistleblowing*).

Jerzy Kwieciński, Vice President of the Management Board of the Bank, supervises the activities of the Corporate Banking, Markets and Investment Banking Division.

Wojciech Werochowski, Vice President of the Bank's Management Board, supervises the activities of the Retail Banking Division.

Magdalena Zmitrowicz, Vice President of the Management Board of the Bank, supervises the activities of the Corporate Banking Division.

Jarosław Fuchs, Vice President of the Management Board of the Bank, supervises the Private Banking and Investment Products Division.

Piotr Zborowski, Vice-President of the Management Board of the Bank, supervises the Strategy Division.

Błażej Szczecki, Vice-President of the Management Board of the Bank, supervises the activities of the Technology and Operations Division and coordinates activities aimed at appropriate risk management regarding the ICT environment security.

For more information on the Bank's organizational and management structure, see "Report on the Activities of the Bank Pekao S.A. Group for 2021" in subchapter 5.

1.1.4 Risk management approach

Bank Pekao has a risk management strategy described in *ICAAP Policy - Principles of risk and capital management* (hereinafter "ICAAP Policy"), adopted by the Bank's Management Board and approved by the Bank's Supervisory Board. This document sets out the main elements of a comprehensive approach to the risk related to the Bank's operations and resulting from the adopted business strategy, both at the level of the Bank and the entire Bank Group. The ICAAP policy defines the identified types of risk and criteria for considering them as significant, indicating the objectives and accompanying principles of risk management, the target risk structure related to the business as well as the accepted level and structure of risk, determined within the adopted risk appetite.

Each identified risk is assessed in terms of its significance and - if considered significant - it is measured (if it is classified as measurable risk) or assessed (in the case of risks that are difficult to measure) and monitored and controlled in accordance with the methods and procedures established for a given type risk. Risk assessment and measurement methodologies are designed to maintain compliance with applicable legal requirements, supervisory guidelines and best practices.

The Bank applies formalized risk mitigation limits in line with the adopted risk appetite and defines the rules of conduct in the event of exceeding the limits. The management information system in place allows the level of risk to be monitored. The Bank's organizational structure is adapted to the size and profile of the risk incurred by the Bank. In managing the risks of the Group, the Bank oversees the risks associated with the activities of its subsidiaries.

In the risk management system in place at the Bank, the Bank's Management Board is responsible for the development, implementation and effective functioning of risk management processes and the internal capital estimation process, adjusted to the size and profile of the risk incurred (risk appetite), taking into account the risk of subsidiaries. The Management Board of the Bank is regularly informed about the current risk profile of the Bank, about the largest exposures and concentrations of credit exposures.

The Bank's Supervisory Board, supported by the Risk Committee, supervises the risk management system and assesses its adequacy and effectiveness. Moreover, the Supervisory Board supervises the compliance of the Group's risk-taking policy with the strategy and financial plan.

The risk management strategy (including risk appetite) and the risk management system at the Bank are subject to regular reviews and necessary updates in order to maintain their adequacy in relation to the scale and complexity of the Bank's activities.

The risk management system functioning in the Bank is an integral part of the Bank's management system. Risk management streamlines decision-making processes while ensuring that decisions are consistent with best market practices and applicable regulatory requirements.

Due to the nature of the Bank's operations, all types of risk identified as material and resulting from the guidelines of regulatory authorities, including risks related to social issues, employee issues, the natural environment, respect for human rights, anti-corruption, related to products and relations with the external environment, including contractors, have been properly defined and included in separate regulations. Selected regulations in this respect are quoted in this *Statement on non-financial information of the Bank Pekao S.A. Group for 2021*.

In 2021, the Bank continued to develop its risk management competences and undertook activities related to the optimization of credit processes in all business segments by simplifying procedures and implementing modern tools to improve processes, including the implementation of automatic tools supporting credit decision making.

At the end of 2021, the Bank's cost of risk, excluding provisions for FX housing loans, amounted to 0.35%. As the leader in risk management, the Bank kept the cost of risk at one of the lowest levels in the sector.

Reputation risk management

Reputation protection is of key importance for the Bank due to the potential impact of this risk on the financial results and capital of the Bank, but also due to the role of the Bank as a public trust institution. In accordance with the guidelines of the *ICAAP Policy*, which defines reputation risk as material, Pekao Bank has implemented a separate regulation relating to this type of risk (*Principles of reputation risk management in Pekao Bank*).

Reputation is an assessment of the Bank's image, i.e. the way the Bank is perceived at a given moment by the environment, which includes customers, counterparties, investors, shareholders, regulators and the general public. The image is not only a marketing concept, but also a business concept - the acceptance of the Bank by market participants and the resulting support for sales of products and services depends on the image. The Bank's reputation risk is therefore understood as the risk of a negative perception of the Bank's image, which results in a loss of the Bank's current or future revenues or loss of capital.

Reputation risk is secondary in nature and is closely correlated with other risks present in the Bank's daily operations, such as credit, operational, market, liquidity and compliance risks. For each of the above-mentioned types of risk, actions potentially affecting the risk of losing reputation have been defined. Among the most important of these are:

1. In terms of credit risk:
 - financing enterprises from sensitive sectors of the economy,
 - financing of political organizations,
 - financing activities that generate significant environmental risk,
 - financing of authoritarian states, states that do not comply with international provisions, states with low protection of human rights or those subject to embargoes.
2. In terms of operational risk:
 - the occurrence of internal and external fraud,
 - failure to comply with employment and workplace safety rules,
 - the occurrence of incidents of unequal treatment, employee discrimination, harassment or labour disputes,
 - the occurrence of irregularities in customer service, product design and the use of unfair operating practices,
 - improper accounting for transactions, deliveries, and mismanagement of operational processes,
 - business disruptions and system failures affecting customer service.
3. In terms of compliance risk:
 - use of business practices that are prohibited or inconsistent with good practice,
 - the Bank's action in violation of the law,
 - incorrect implementation or failure to implement the recommendations and instructions of control and supervision authorities,
 - the occurrence of conflicts of interest,
 - the occurrence of market abuse.
4. In terms of market risk:
 - taking dominant positions, including by concluding large transactions, using monopolistic practices.

By its nature, reputational risk is classified as a hard-to-measure risk. *In line with the ICAAP Policy* it is not subject to quantitative measurement. The day-to-day management of the Bank's reputation risk comes down to managing the primary types of risk, supported by qualitative assessment, monitoring, reporting and mitigating the Bank's reputational risk.

Bank Pekao consistently reduces the risk of losing reputation, among others by:

- application of an appropriate credit policy (taking into account, among others, sectors of the economy in which the Bank is not involved in financing),
- implementation and application of best practices and ethical principles, incl. *Principles of Good Banking Practice of the Association of Polish Banks*, *Canon of Good Financial Market Practices*, *Best Practices of Companies Listed on the WSE* and of the *Pekao Group Code of Conduct* which defines a set of basic values and standards of conduct for the Bank's employees in order to ensure the highest standards of service provision and protection of the Bank's reputation,
- promoting knowledge of legal regulations, ethics and corporate governance rules among the Bank's employees and their proper application, conducting training on compliance risk,
- managing conflicts of interest,
- counteracting corruption
- preventing the use of the Bank's activities for purposes related to money laundering or terrorist financing,

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- fraud management (with particular emphasis on internal fraud) by preventing, detecting and combating fraud, minimizing its effects and conducting actions to detect its perpetrators, as well as, in justified cases, notifying law enforcement authorities,
 - ensuring an appropriate level of information security, in particular with regard to customers' personal data, as well as ensuring that only authorized individuals have access to this information,
 - taking actions and initiatives aimed at increasing the level of customer satisfaction,
 - managing the process of considering customer complaints,
 - management by objectives (setting goals for the Bank's employees in sales and managerial positions regarding the quality of service and customer satisfaction),
 - analysing new products and services as well as marketing campaigns in terms of reputational risk,
 - consulting with the Management Board and Supervisory Board of the Bank and on activities significant for the Bank's reputation.

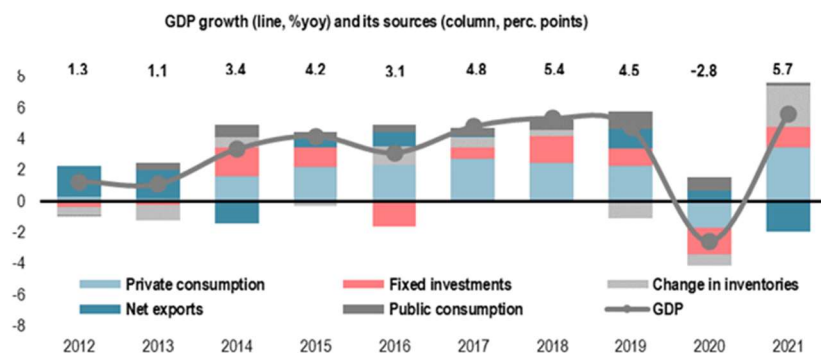
The Bank's reputation management is a continuous process in which all organizational units and employees actively participate. The Bank's statutory bodies and organizational units directly responsible for primary risk types play a special role in this process, in line with the competences resulting from separate internal regulations of the Bank. Regularly conducted since 2020 at the request of the Bank, the monitoring of Pekao brand indicators and the company's image profile indicates a stable position compared to the competition. Bank Pekao is at the forefront of banking brands with the best spontaneous awareness; and its image profile defines it as a traditional, Polish and trustworthy bank.

1.2 Macroeconomic environment

1.2.1 Key factors with a significant impact on the operations and performance of the Bank and Pekao Group

Economic growth

In 2021, the Polish economy grew by 5.7%, compared to a decline of 2.5% a year earlier. According to quarterly data, the pre-pandemic GDP level was reached in the second quarter of 2021. This year can be summed up as a period of post-pandemic consumer demand normalization, inventory rebuilding and an incomplete recovery in investment.



According to the forecasts of the team of economists at Bank Pekao, in 2022 economic growth will slow down to 4% y/y as a consequence of several factors: weak consumer sentiment, lower investment growth and the tightening of monetary policy.

Labour market

In 2021, the domestic labour market was making up for the losses related to the pandemic, especially in the second half of the year, after a significant easing of epidemic restrictions. The crisis caused by the COVID-19 pandemic, which had the features of a natural disaster rather than a cyclical downturn, did not generate long-term negative consequences for the labour market. Government aid shields also played an important role. Concerns about the reduction of employment as part of the adaptation to the prevailing economic situation by enterprises at the time of settling the PFR Financial Shield conditioning the cancellation of the subsidy by maintaining employment for 12 months from its receipt, did not materialize.

The unemployment rate at the end of 2021 was 5.4% compared to 6.3% at the end of 2020.

The wage dynamics in the enterprise sector recorded a clear rebound in 2021 to 8.6% from 4.8% in 2020. Despite the low statistical base effect, the rate of wage growth in the period of post-pandemic recovery exceeded market expectations. The real wage dynamics in 2021 was 3.4% y/y. In line with the expectations of Bank Pekao economists, the unemployment rate in 2022 will continue to decline, but at a slower pace than in 2021. It will be 4.9% at the end of 2022 compared to 5.4% at the end of 2021.

Inflation and monetary policy

The average annual price index of consumer goods and services in 2021 was 5.1% compared to 3.4% in 2020. The inflation level in 2021 turned out to be much higher than market expectations. The very rapid post-pandemic rebound in global demand has encountered the barrier of a much slower recovery in production capacity. Problems with broken supply chains, shortages of raw materials and semi-finished products pushed prices of many industrial goods in the second half of the year to unprecedented levels. This can be evidenced by the high level of producer price inflation (PPI), which averaged 7.9 in 2021 and was already 14.2 at the end of the year in December.

The price increase in 2021 was also influenced by an increase in core inflation (excluding food and energy prices), which rose to 4.1 from 3.9 in 2020, due in part to price increases in the service sector recovering from the pandemic. Rising energy and labour costs were passed on to final goods prices in a high demand environment. Inflation was also boosted by fuels due to the high rise in market prices of crude oil. Fuel prices increased by 22.9% in 2021.

In the baseline scenario of the team of Bank Pekao economists, the average annual inflation in 2022 will amount to around 7% with the peak inflation at the beginning of the year - over 9% y/y. The Anti-Inflation Shield will probably protect us from a double-digit inflation scenario in the first half of 2022. The cost will be to extend the period of elevated inflation and thus postpone its return to target until at least 2024.

Fiscal policy

2021 was a year of fiscal consolidation after a sharp spike in public deficit and debt a year earlier. Subsequent waves of pandemics were no longer accompanied by deep economic lock-downs. The anti-crisis shields had a much smaller scale. This limited the increase in budget expenditures in 2021 to around 5% y/y. The recovery of the economy after the pandemic and the acceleration of inflation translated into a dynamic increase in tax revenues. Throughout the year, they increased by approximately 17% y/y. Non-tax income grew even stronger (26% y/y), mainly due to rising prices of CO₂ emission allowances². The revenues from the auction of the aforementioned allowances exceeded PLN 25 billion, while the budget act assumed PLN 10.4 billion. The budget was also supported by a payment from the NBP profit in the amount of almost PLN 9 billion.

1.2.2 Factors that will affect the Group's results

As Bank Pekao and Pekao Group companies operate predominantly in Poland, the Group's results will be affected primarily by economic events taking place in Poland and international events impacting the domestic economy.

2021 was a year of dynamic economic recovery, supported by the first successes in fighting the pandemic and growing optimism. Polish GDP increased by 5.7% y/y, reflecting the returning economic conditions, although very high inflation levels became a new challenge. In 2022, a slowdown in economic growth to 4% y/y is forecasted after a strong rebound in the previous year.

The outlook for the economy will affect demand for banking products and any further changes in the cost of risk as a result of updated assumptions about economic conditions.

An important factor affecting bank performance is monetary policy. The economic situation and very high inflation (and its forecasts) prompted the Monetary Policy Council to start the cycle of further interest rate increases in October 2021. Over the past few months, the reference rate has been raised in several steps from 0.10% to 2.75%, and is expected to eventually reach 4.00%. An environment of rising interest rates is a favourable situation for banks, which will translate into an improvement in their net interest income, a major part of the sector's operating income.

Regardless of the economic situation, the tax and regulatory environment plays an invariably important role for banks, including in particular the tax on certain financial institutions, high equity requirements, charges to the Bank Guarantee Fund (BFG), costs of further adjustments to numerous regulatory solutions (e.g. MIFID II³⁴, GDPR³⁵, PSD II³⁶, BRRD II³⁷), as well as the introduction in Poland of a maximum fixed remuneration for the management of investment funds. After temporary reductions in BFG contributions in 2021, they will return to the pre-pandemic trend again in 2022 and thus rise sharply. The tax and regulatory environment of the sector remains very restrictive, which, combined with the uncertain economic situation, may translate into the ability of individual institutions to develop lending, as well as their financial results.

One of the most important factors in the institutional environment remains the issue of foreign currency mortgage loans. In the absence of a final systemic solution in this matter, court decisions in individual, individual case-by-case contracts will have the greatest impact on the banking system. A number of events (including the rulings of the Court of Justice of the European Union - CJEU) prompted a growing number of borrowers to resolve their dispute in court. This will have a strong negative impact on the results of banks, in particular those with a large portfolio of this type of loans, to which Bank Pekao does not belong. To date, the main channel of impact has been the provisions made by banks for anticipated legal risks - these have had a strong negative impact on sector performance in 2020 as well as 2021. According to most estimates, the total cost to the sector could reach tens of billions of zlotys, but these are difficult to estimate and may be spread over time. Much will depend, among others on the actual number of lawsuits (how many borrowers will go to court), the interpretation of national courts in individual cases, the reactions of national supervisory authorities or the actions of the banks themselves. We also cannot exclude a scenario in which the issue of franking credits will find a final solution by way of legislation.

³⁴ Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets of financial instruments.

³⁵ Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation).

³⁶ Directive (EU) 2015/2366 of the European Parliament and of the Council of November 25, 2015 on payment services in the internal market.

³⁷ Directive of the European Parliament and of the Council (EU) 2014/59/EU of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms

Bank Pekao S.A. will monitor the direction of decisions made by Polish courts and the market practice and behaviour of borrowers, and will assess on an ongoing basis the likelihood of cash outflows with respect to the mortgage loans in question. However, the impact may be indirect in terms of the possible financial difficulties of some smaller institutions, particularly high-exposure to the risk in question.

1.2.3 Economic contribution to the environment

GRI 201-1 Direct economic value generated and distributed (partially reported*)

(in PLN million)	PEKAO GROUP	PEKAO BANK
Operating revenues	8,527	8,089
Operating costs (incl. BFG charges, not incl. banking tax)	(3,380)	(3,122)
Cost/income ratio	47,2%	46,1%
Risk provisions	(783)	(669)
Banking tax	(719)	(719)
Corporate income tax	(825)	(758)
Customer financing	169,073	157,783
Customer liabilities	194,804	195,064
Net result	2,175	2,237
Dividend		843

(*) Retained economic value is not reportable in accordance with GRI Standards, because the Bank recognizes required items differently, such as payments to the state, social investments, and has other items generating costs that are not included in the GRI standard, such as risk costs.

1.3 Business Strategy and ESG Strategy

1.3.1 Strategy 2021-2024: Responsible Bank. Modern banking

In March 2021, Pekao Bank announced a new Strategy for 2021-2024: "Responsible Bank. Modern Banking." According to the strategic plan, Bank Pekao will: become a universal bank, the bank of first choice for its clients, develop a remote distribution and customer service model, focus on cost and process efficiency, and grow in the most profitable market segments.

The strategy is based on four pillars: **Customer, Growth, Efficiency and Responsibility**.

- **PILLAR: CUSTOMER** The Bank will put the customer and their needs at the centre of all its activities, and therefore intends to intensively develop digital channels and fast and convenient service processes. Bank Pekao will strive to enable retail clients to handle almost any matter online. A digitization rate of nearly 100 percent is one of the key strategic aspirations. The PeoPay mobile application will be the main channel of contact with the client. Bank Pekao will make even greater use of advanced data analytics and modern sales support tools in order to personalize the offer, improve service quality and increase the propensity to recommend its services. A key measure of success that Bank Pekao will strive for is promotion in customer satisfaction rankings,
- **PILLAR: GROWTH** The bank will focus on business growth in the most profitable market segments, product groups and areas of untapped potential, i.e. consumer finance, micro-enterprises, SMEs and MID enterprises (medium-sized enterprises). Over the next four years, Pekao wants to acquire more than 400,000 individual customers every year and increase its share in the cash loan market from 7 percent to 10 percent. By 2024, the demographic structure of the retail customer base is expected to rejuvenate over 600,000 customers under the age of 26. The growth in the SME segment will translate into an increase in the market share in this segment to 12%. On the other hand, in the micro-business segment the Bank plans to acquire over 40 thousand clients a year and increase its market share by 3 percentage points to 8%. Pekao will also focus on digital growth in investment products and will strengthen business synergies and cooperation with the PZU Group. The Bank also aspires to strengthen its presence in the online shopping and e-commerce market,
- **PILLAR: EFFICIENCY** The bank will focus on technological transformation and improving the efficiency of operations, accelerate digitization and migration of processes to remote channels, and optimize credit processes. The driving force behind the transformation and execution of the strategy will be IT - flexible and able to respond quickly to the needs of the bank's operating units and customers in changing market conditions. Looking ahead to 2024, the Bank plans to invest in transformation and develop IT in the areas of technology and innovation, modern architecture, rapid software development, infrastructure reliability, human resources and competence,
- **PILLAR: RESPONSIBILITY** Bank Pekao wants to support economic development by focusing on distributing government and EU economic recovery and climate transformation programmes to its customers. At the same time, the very commercial and operating activities of the Bank will be more based on the factors of sustainable development. Pekao wants to maintain a safe risk profile in the changing market environment and have one of the lowest risk costs among the largest banks. To do so, it will improve its risk model infrastructure, automate credit scoring processes, and ensure cybersecurity.

More information on the implementation of the business strategy "Responsible Bank. Modern Banking" can be found in the Bank Pekao S.A. Group Activity Report for 2021 in chapter 11.

1.3.2 Mission, vision and values - the evolution of organizational culture

[GRI 102-16 Organizational values, principles, standards, and norms of behaviour](#)

Pekao Bank, adopting the Business Strategy for 2021-2024, has redefined its mission, which is: **"The simple and safe world of banking"**. Thus, the bank wants to set standards in the market, while being a responsible partner in the everyday life of millions of Poles. It understands its business as positively impacting the growth of the economy, building strong relationships with businesses and providing security to customers. The Bank's vision captured in the slogan **"Let's be the best together"** is an aspiration to be a leader on the Polish banking market, i.e. the fastest-growing, modern bank with an offer that goes beyond traditional services. Bank Pekao wants to strengthen the power of homegrown brands, as well as be an inspiring place to work.

Simultaneously with the formulation of the principles of the Strategy for 2021-2024, the process of changing the organizational culture began within the organization. It was a grassroots initiative with the participation of all willing employees who redefined the Bank's values. Thanks to this, the synergy effect was achieved - work on setting strategic business goals was carried out simultaneously with the analysis of ways to achieve them and the formulation of common values, that is: **#Simple, #Together, #Bold and #Responsible**. These values were also included in the key regulation relating to ethical behaviour in the everyday behaviour of employees - *Code of Conduct of the Pekao Group*.

1.3.3 Social responsibility

GRI 102-12 External initiatives

Pekao Group companies and the Bank comply with the applicable laws and ethical standards of respect for human rights. The key comprehensive regulation capturing these principles is the Pekao Group Code of Conduct. The obligation to respect the rules is incumbent on all employees regardless of their position, seniority, location and working hours. The Bank is focused on building employee awareness and continuous improvement of procedures in the field of human rights protection in internal and external relations. By responsible shaping of a work environment free from practices that violate human rights, the Bank builds a system of values addressed to shareholders, customers, investors, contractors, suppliers, local communities and other stakeholders.

Bank Pekao S.A. is also guided in its activities by the 10 Principles of the UN Global Compact. These are:

1. Promotion and observance of human rights adopted by the international community
2. Elimination of all human rights violations by the company
3. Respecting the freedom of association
4. Eliminating all forms of forced labour
5. Prohibition of child labour
6. Effective counteracting of discrimination in the area of employment
7. A preventive approach to the natural environment
8. Undertaking initiatives aimed at promoting an attitude of ecological responsibility
9. Use and dissemination of environmentally friendly technologies
10. Countering corruption in all forms, including extortion and bribery

The various principles of the UN Global Compact are reflected in the policies and internal regulations of the Bank and Pekao Group S.A. cited in this statement.

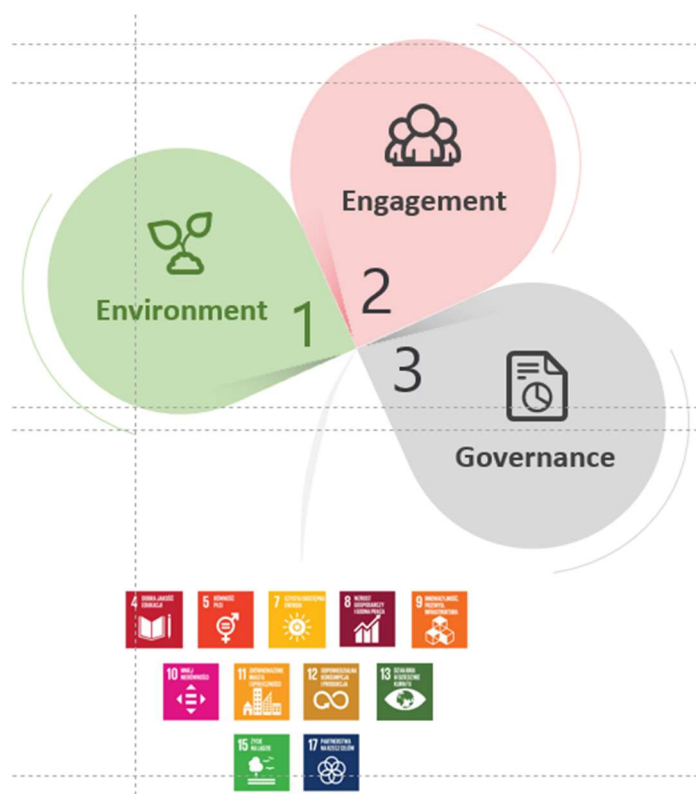
1.3.4 ESG Strategy 2021-2024: Responsible Bank supporting sustainable development

An extension of the fourth pillar of the Bank's Business Strategy, "Responsibility," is the ESG Strategy "Responsible Bank Supporting Sustainable Development" adopted on June 25, 2021 (hereinafter: ESG Strategy). It is the first document of Bank Pekao regulating the issue of its responsibility for the environment, social environment and the rules applicable within the organization. These themes are grouped under the three pillars "Environment", "Commitment" and "Governance". In each of these areas, the Bank has set specific goals that it will pursue over the coming years.

In the Environment pillar, Pekao Bank has declared, among other things, to increase its commitment to financing sustainable projects, supporting the energy transformation and the transition to a low-carbon economy, and achieving its own climate neutrality by 2030.

Actions for the sustainable development of society and economy as well as prosperity are defined in the second pillar of the ESG Strategy - "Commitment". Its goals are focused on providing help and equal opportunities as well as preventing exclusion, e.g. through charity and employee volunteering.

The Governance pillar includes attention to the highest standards of corporate governance: an ethical approach to business that takes into account ESG issues and the promotion of employee development, diversity and equality in a modern, inclusive organization.



1.4 The first pillar of the ESG Strategy: The natural environment

In line with the ESG Strategy, Bank Pekao will become even more involved than before in Poland's energy and environmental transformation and protection in line with the principles of the European Green Deal. As part of this effort, the Bank anticipates arranging financing for new sustainable projects both through new financing for sustainable projects that include green and social projects and through supporting the issuance of ESG bonds of the Bank's clients. In line with the objectives set out in the Strategy, the Bank will continue to implement environmental improvements in its locations and will focus on monitoring the consumption of raw materials and other materials as well as less waste activities. Bank Pekao wants to be responsible to future generations by carrying out activities for climate neutrality. The aspiration in this area is to reduce own emissions in 2024, and then achieve its own climate neutrality in 2030.

ESG STRATEGY IMPLEMENTATION INDEX	IMPLEMENTATION 2020	IMPLEMENTATION 2021	TARGET FOR 2024
1. PILLAR - ENVIRONMENT			(PLN million)
1. Financing sustainable projects	n/a	929	> 8,000
2. Supporting the issuance of clients' ESG bonds	n/a	5,934	> 22,000
3. Share of green financing	3.2%	4.1%	> 4.0%
4. Share of high-carbon financing	1.3%	1.2%	< 1.0
5. Change in the balance sheet exposure in nominal terms in relation to high-carbon activities as compared to the exposure at the end of 2020	n/a	-11	< -1,900

Bank Pekao S.A. financed almost PLN 1 billion of sustainable projects, e.g. green consumer loans (over 4-fold increase of the balance sheet volume y/y), green corporate mortgages (21% increase of the balance sheet volume y/y), green loans to strategic customers (9% increase of the balance sheet volume y/y).

Support for the Bank's customers' ESG bond issues amounted to nearly PLN 6 billion, where the main customers were strategic and public sector customers.

The share of green financing increased to 4.1%, mainly due to the green bonds of strategic and public sector clients covered by the Bank and the financing of further loan agreements.

The share of high-carbon financing declined to 1.2% percent as a result of reduced sales of loans and bond issues to entities in high-carbon sectors (i.e., coal and lignite mining, electricity and heat generation using coal and lignite, high-carbon industrial processing, electricity trading, distribution, and transmission, coal wholesaling, and coal furnace manufacturing). This reduction resulted in a decrease in nominal balance sheet exposure of nearly PLN 11 million compared to 2020.

The methodology of disclosure of ESG indicators in the 1st pillar of the ESG Environment Strategy was based on the following assumptions:

1. Financing sustainable projects means financing in the form of loans and green or social leases³⁸ on the basis of contracts concluded in a given reporting year,
2. Supporting the issuance of customer ESG bonds are funded green bonds and social bonds for new contracts entered into during the reporting year,
3. The share of green financing is the share of green loans, leasing and covered bond issues as at 31/12/2021 in the Bank's gross financing,

³⁸ As defined in the ESG Strategy:

Green financing: includes environmental projects aimed at, among others, reducing CO₂ emissions and carbon consumption and producing energy from renewable sources with balance sheet exposure to corporate client bonds issued for ESG purposes in the portion corresponding to the bank's investment policy.

Financing with a social impact (social impact): includes projects supporting sustainable social development, improving the quality of life of citizens and ensuring access to public infrastructure, implemented by local governments and social organizations.

4. The share of high-carbon financing is the share of high-carbon loans, leases and bond issues covered as of the end of the reporting year (31/12/2021) in the Bank's gross financing,
5. The change in the balance sheet exposure in nominal terms to high-carbon activities (vs. 2020) means the nominal change in exposures to loans, leasing and covered bond issues as at the end of the reporting year.

1.4.1 Climate neutrality in business operations

Reducing the consumption of raw materials and consumables

In its daily operations, Pekao Bank is guided by a desire to reduce its negative impact on the climate and by an environmentally friendly attitude. This is achieved by means of technical solutions that are gradually being implemented in the branch network and headquarters facilities.

In 2021, the implementation of ecological solutions was continued with a special focus on reducing electricity consumption and negative environmental impact, i.e.:

- implementation of energy-efficient LED lighting technology,
- optimization of energy consumption (limiting so-called contracted capacity),
- replacement of technologically obsolete UPS (uninterruptible power supply) devices with new ones of higher maximum efficiency,
- elimination of unnecessary backup power connections,
- installation of air conditioning systems characterized by increasingly better indicators, with particular emphasis on solutions in the highest energy efficiency classes,
- replacing air-conditioning devices using refrigerants harmful to the environment with devices based on a mixture of ecological gases,
- analyses aimed at the installation of reactive power compensation devices³⁹ (and as a result, the elimination of unnecessary energy expenditure),
- switching electronic devices to "stand by" mode during evening hours.

During comprehensive modernization of properties owned by the Bank, modern solutions were used, e.g. energy-saving LED lighting systems or sanitary faucets with aerators, which reduce water consumption.

Car fleet

Cars belonging to the Bank's fleet are successively replaced with models that emit less exhaust gas into the atmosphere. At present, the Bank is replacing a significant part of its fleet (approx. 75%) with new cars with the Euro 6DG emission standard.

At the turn of 2020 and 2021, 1,020 new low-emission cars with a convenient configuration of consumption were put into service. The bank also plans to purchase new electric cars. Conceptual work is currently underway on the possibility of replacing conventionally powered (internal combustion) cars with electric cars.

Bank Pekao was also involved in the sale of end-of-life cars. Since 2021, a total of 970 cars have been sold. The sales volume amounted to nearly PLN 20 million. As part of the pre-purchase, 310 cars were sold, which constitutes 32%, for the amount of PLN 5,772,880. As part of the internal auction (addressed to all employees of the Bank), 267 cars were sold, which constitutes 27.5%, for the amount of PLN 5,428,060. At the external auction 393 cars were sold which is 40.5% for the amount of PLN 8,697,300

Energy consumption

The key regulation on reducing the consumption of raw materials and consumables is the *Policy on optimizing energy consumption in Bank Polska Kasa Opieki Spółka Akcyjna*. This document sets out the principles and rules regarding standards and guidelines for optimizing the Bank's energy consumption in terms of environmental protection based on a commitment to properly monitor and prevent, as far as possible, any negative impact on the environment. The principles outlined in the Policy are guidelines for every employee to follow in order to raise awareness of environmental issues by optimizing energy consumption. They should be applied with reasonable flexibility, taking into account the specific situations of each job.

³⁹ Effective elimination of uncompensated reactive power of electricity receivers allows for financial savings (due to the reduction of charges for excessive reactive power consumption), and also contributes to the rational operation of electrical devices.

GRI 302-1 Energy consumption within the organization

ENERGY CONSUMPTION GIGAWATT HOUR (GWH)	PEKAO GROUP		BANK		COMPANIES	
	2020	2021	2020	2021	2020	2021
Electricity purchased for consumption purposes	57.6	54.8	56.2	53.5	1.5	1.4
Electricity purchased while working remotely	1.0	1.2	0.8	0.8	0.2	0.4
Thermal energy generated by the organization (natural gas)	11.6	13.8	11.6	13.8	0.02	0.04
Thermal energy purchased for consumption purposes	77.0	78.9	76.1	77.8	0.9	1.1
Total energy consumption within the organization	147.3	148.7	144.6	145.9	2.6	2.9

OTHER TYPES OF ENERGY (M ³)	PEKAO GROUP		BANK		COMPANIES	
	2020	2021	2020	2021	2020	2021
Heating oil	234	250	234	250	-	-
Diesel	211	137	173	102	38	35
Gasoline	1,312	1,833	1,083	1,563	229	267
Liquefied petroleum gas (LPG)	3.5	0.6	-	-	3.5	0.6

Paper consumption

In the day-to-day operations of the Pekao Group and the Bank, measures are implemented to significantly reduce the consumption of paper. The solutions used in the Bank include multifunctional printing devices with a default option of two-sided printing and a central system allowing buffering of printouts and the possibility for the user to cancel outdated, unnecessary or erroneous printouts, which facilitates paper saving; scanning and sending documents in an electronic form, a system of optional printing of paper confirmations of ATM and cash register operations, processing applications and documents used in HR processes in an electronic form, limiting the number of printed documents for customers, a system of mail handling and correspondence circulation with an emphasis on keeping electronic registers of correspondence. In 2021, the Bank intensified its work to implement the Electronic Personal Files project. The implementation of Electronic Personal Files in the near future will allow for the elimination of paper at the level of 80% of the current consumption, and will eliminate the costs related to the archiving of HR and payroll documentation as well as the costs related to the flow of paper correspondence between the Bank and employees. At the same time, a project called Gutenberg was carried out at the Bank in 2021, concerning the modernization of the print area, which is intended to settle the printouts *per click*.

GRI 301-1 Materials used by weight or volume

2021	PEKAO GROUP	PEKAO BANK	COMPANIES*
A4 paper (ream)	29.2 thousand	23.6 thousand	5.6 thousand
A3 paper (ream)	141	123	18
Business cards (sets of 100)	11.4 thousand	11.1 thousand	277
Envelopes of different types (sets of 50)	30.2 thousand	27.4 thousand	2.7 thousand
Roll up paper rolls	621 pcs.	138 pcs.	483 pcs.
Plastic document sleeves (pieces)	1.7 million	1.69 million	0.07 million
Binders (kg)	2,416	2,058	359
Printer toners	6.4 thousand pcs.	6 thousand pcs.	0.4 thousand pcs.
Batteries of any capacity (pack of 12)	990	947	43

(*) Data excluding DI Xelion.

The aspect of saving office materials and paper is also important in the current operations of Pekao Group companies, according to their business profile. The majority of procedures for digitization are implemented, and the demand for stationery and office materials is verified on an ongoing basis in accordance with internal purchasing procedures.

Paperless concept

For many years, Pekao Bank has been using new solutions and offering its clients communication via the Internet with the use of electronic documents. In addition to confirming some of the instructions at the branch in the PeoPay application or via SMS, the Bank has also implemented solutions thanks to which customers can receive, among others confirmation of the renewal of the policy or certificates of accounts, transactions, salaries in an electronic form. In 2021, the Bank continued its activities aimed at popularizing the paperless concept among customers, encouraging them to give up paper correspondence and jointly care for the environment. For this purpose, i.e. a special website www.pekao.com.pl/epapier was created with explanations on how to change paper correspondence to electronic correspondence. It is possible to make changes in a branch, on the Pekao24 website or in the PeoPay application. In remote channels, campaigns are carried out periodically, encouraging people to resign from receiving paper statements, regulations or notifications of repayment of liabilities. From year to year, customers are becoming more and more active parties to the processes aimed at reducing the use of paper by the Bank.

DATA ON BANK STATEMENTS	2020	2021
Percentage of retail customers receiving electronic statements*	86.1%	88.0%
Percentage of retail customers receiving paper statements*	13.9%	12.0%

(*) Applies only to Bank Pekao.

Waste

GRI 306-3 Waste generated

As part of waste management, the Bank systematically transfers paper documentation, IT media, furniture or household appliances and audio/video devices for specialist disposal. These products are recycled and prepared for reuse as a secondary raw material or as an input for alternative fuels. When ordering new audio/video devices, the service of collecting and disposing of old devices is included.

BREAKDOWN BY WASTE STREAM	2020	2021
Other media (cell phones, hard drives, network devices)	7,717 pcs.	21,425 pcs.
Floppy disks, <i>streamer</i> tapes, VHS tapes	10.75 t	8.0 t
Paper records sent for destruction and recycled	989.1 t	403.3 t

(*) Applies only to Bank Pekao.

1.4.2 PekaoGroup carbon footprint calculation

In line with the commitments adopted in the ESG Strategy, in 2021 the Bank started calculating greenhouse gas emissions for the Pekao Group. Calculations were performed in accordance with the methodology of the international GHG Protocol standard for Scope 1, i.e. direct emissions arising from facilities owned or supervised by the Group, and for Scope 2, i.e. indirect emissions from purchased electricity, steam, heat and cooling from external suppliers. The value chain emissions calculation (GHG Protocol Scope 3) is scheduled to be performed in 2023. In the following years, the Bank intends to carry out activities to reduce emissions - the goal by 2024 is to reduce its own emissions compared to 2020, incl. by rationalizing business trips, pro-ecological improvements in the Bank's locations (limiting direct visits to the customer in favour of remote contact, gradual replacement of the car fleet with models that emit less fumes into the atmosphere; changing the way of heating outlets, optimization of processes aimed at reducing the consumption of paper). The Bank will monitor the consumption of raw materials and materials and conduct less waste activities. It also plans to introduce offsetting activities in the future.

GRI 305-1 Direct greenhouse gas emissions (Scope 1.)

EMISSION SOURCE CATEGORY [t CO ₂ e]	PEKAO GROUP		BANK		COMPANIES	
	2020	2021	2020	2021	2020	2021
Vehicles						
Gasoline	3,017.7	4,211.1	2,485.5	3,586.4	532.3	624.7
Diesel	551.2	359.7	453.1	269.8	98.2	89.8
Liquefied Petroleum Gas (LPG)	5.4	0.9	0.0	0.0	5.4	0.9
Total	3,574.4	4,571.7	2,938.5	3,856.2	635.8	715.4
% in scope 1.	53%	56%	48%	52%	99%	99%
Real Estate						
Natural gas for central heating and hot water.	2,319.2	2,759.7	2,316	2,751	3.2	8.7
Heating oil for central heating and hot water.	645.3	671.8	645.3	671.8	0	0
Diesel for emergency power	2.1	0	2.1	0	0	0
Refilling of refrigerants in own installations	257.1	101.2	257.1	101.1	0	0
Total^(*)	3,223.8	3,532.6	3,220.6	3,523.9	3.2	8.7
% in scope 1.	47%	44%	52%	48%	1%	1%
Total Scope 1.	6,798.2	8,104.3	6,159.1	7,380.2	639.1	724.1
% in Total scope 1.+ 2. (location-based)	9%	11%	9%	11%	29%	32%

^(*) According to the location-based method, the average indicator for Poland was adopted as the greenhouse gas emission indicator related to the generation of the electricity unit.

In 2020 and 2021, emissions from the consumption of liquefied LPG for central heating and hot water, hard coal for the needs of central heating and hot water were 0. Renewable energy was also not generated from its own sources.

GRI 305-2 Energy indirect (Scope 2) GHG emissions

EMISSION SOURCE CATEGORY [t CO ₂ e]	PEKAO GROUP		BANK		COMPANIES	
	2020	2021	2020	2021	2020	2021
Total electricity consumption for real estate ^(*)	37,578.6	35,750.3	36,623.3	34,852.7	955.3	897.5
Total electricity consumption for powering vehicles	0	0	0	0	0	0
Total thermal energy consumption	26,752.6	27,407.4	26,426.9	27,023.7	325.7	383.6
Remote Work	630.7	765.8	493.6	533.7	137.1	232.1
Used fuel refills for the emergency power supply of the generator	3.7	1.2	3.6	0.9	0.2	0.3
Refilling of refrigerants in leased facilities	218.1	228.5	84.4	222.5	133.7	6
Total Scope 2.	65,183.8	64,153.1	63,631.8	62,633.6	1,552.0	1,519.5
% in Total scope 1.+ 2.	91%	89%	91%	89%	71%	68%
Total scope 1.+2.	71,982.0	72,257.3	69,790.9	70,013.7	2,191.0	2,243.6

(*) According to the location-based method, the average indicator for Poland was adopted as the greenhouse gas emission indicator related to the generation of the electricity unit.

1.4.3 Support for energy transition and low-carbon economy

Under Pillar 1. in its ESG Strategy, the Bank committed to actively support the transformation of the Polish energy sector and the coal regions most negatively affected by the transformation as part of a just transition. In line with the ESG Strategy, the Bank declares no new targeted financing for hard coal and lignite mining projects⁴⁰ and energy projects based on hard coal and lignite.

Pekao Bank and some Pekao Group companies have a balanced product offering addressed to different customer segments.

Green products

In 2021, the Express Loan was available for customers of Bank Pekao for environmental purposes, e.g. for renewable energy sources, the purchase of central heating boilers, windows, doors or home insulation materials. Its funds could also be used to finance the purchase of electric or hybrid passenger cars as well as electric motorcycles and scooters, electric bikes, or to refinance the incurred costs of purchases made from the beginning of 2021.

The EKO Housing Loan was used to support environmentally friendly solutions. As part of it, financing was available for the installation of solar collectors, photovoltaic panels and heat pumps during the construction or renovation of the property.

The Pekao TFI's offer was joined in 2021 by the Pekao Ecological sub-fund, focused on supporting sustainable investments. Its portfolio includes companies from environmentally friendly and pro-ecological sectors (renewable energy, electromobility, energy efficiency, recycling and waste management). When analysing their selection, in addition to financial factors, ESG issues were equally important, i.e. environmental, social and corporate governance aspects.

In 2021, Bank Pekao was involved in numerous projects aimed at improving the energy efficiency of business clients, implementing ecological projects and financing renewable energy sources (including wind farms, photovoltaic installations and low-emission urban transport). In September 2021, the Bank and the Polish Development Fund (hereinafter: PFR) announced a joint project to finance investments in renewable energy sources called "PFR Green Hub". The total amount of the programme is PLN 1 billion. The programme is designed to enable the implementation of the first 500 MW of new photovoltaic installations built on the basis of market energy prices.

In Q3. 2021, Bank Pekao took part in the issue of bonds for the amount of PLN 491 million, for the implementation of an investment programme improving the standard of public transport in Wrocław. In a consortium with Bank Gospodarstwa Krajowego (hereinafter: BGK) Pekao participated in PLN 496 million worth of financing for the modernization and construction

⁴⁰ High-carbon financing: covers the industries of hard coal and lignite mining, electricity generation using hard coal and lignite, heat generation using hard coal and lignite, supplementary activities related to energy using hard coal and lignite within the following industries: trade, distribution, transmission electricity, wholesale of coal, industrial processing, production of coal furnaces. The financing does not include: industries related to the use (mining, processing) of coking coal as a raw material included in the list of critical raw materials of the EU, coal-related activities including the production of machinery for coal mining and installations for coal mining and the financing of projects supporting the energy transition. Excluding transformational projects.

of track infrastructure in the Silesian Agglomeration and for the purchase of tramway rolling stock and specialized rail vehicles. In the commercial real estate sector, the Bank financed projects with the highest quality environmental certificates. The Bank's good practice was to finance projects in the commercial real estate segment aimed at building or revitalizing various types of buildings in order to make them environmentally friendly.

In terms of supporting the issue of ESG bonds of clients in 2021, Bank Pekao was:

- The sole organizer and dealer of the 10-year *rating-linked* bond issue *ESG* with a fixed interest rate (interest rate related to the company's ESG rating level) for PKN ORLEN with a total nominal value **1 billion** zloty;
- One of the global coordinators and co-book-holders of the issue of 7-year green Eurobonds (*green bonds*) PKN ORLEN worth **EUR 500 million**, carried out on the international market. The net proceeds from the bond issue will be used to finance or refinance the group's green projects;
- Co-organizer of the first Polish issue of green municipal bonds for the city of Łódź. The bond amount was 418 million, of which **50 million** were green bonds. The proceeds from the bonds will be used to finance projects related to low-emission urban transport and sewage treatment;
- The coordinator and dealer of **PLN 1 billion** issue of 10-year *ESG-linked* bonds (fixed interest rate linked to the company's ESG rating) for PKN ORLEN;
- One of the organizers and dealers for the issue of Famur S.A. green bonds worth **PLN 400 million**. The purpose of the issue was direct and indirect financing or refinancing of the development, purchase, construction and operation of green projects of the Famur group.

In December 2021, Bank Pekao signed a green bond issue program agreement with Miejskie Przedsiębiorstwo Oczyszczania-Łódź Sp. z o. o. The value of the programme is PLN 400 million, which will finance the construction of the Łódź Recycling Centre, i.e. a set of installations for the treatment of municipal waste.

1.4.4 Disclosures required in accordance with the Regulation of the European Parliament and of the Council (EU) 2020/852 on the so-called taxonomy

Pursuant to Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on establishing a framework to facilitate sustainable investments, amending Regulation (EU) 2019/2088 (Taxonomy Regulation, hereinafter: "Taxonomy" or "EU Taxonomy") and its implementing acts:

- Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by clarifying the content and presentation of the information on environmentally sustainable business activities to be disclosed by companies subject to Article 19a or 29a of Directive 2013/34/EU, and specifying the method for complying with this disclosure obligation (Delegated Regulation to Article 8 of the Regulation on the so-called taxonomy), and
- Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing technical eligibility criteria for determining the conditions under which an economic activity qualifies as making a significant contribution to climate change mitigation or adaptation, and whether that economic activity does not cause serious harm to any of the other objectives,

First of all, the bank is required to disclose the proportion of exposures to activities described in accordance with the technical eligibility criteria for achieving the goals of adaptation to climate change or mitigating climate change.

This obligation entered into force on January 1, 2022 and covers the reporting period for 2021.

As the EU Taxonomy is a continuously developing set of legislation and companies are required to disclose the proportion of their activities described in the Taxonomy from 2022 onwards, the Bank has estimated the required proportion of exposures to activities described in the Taxonomy based on internal data (disclosure based on Annex XI of the Delegated Regulation to Article 8 of the Taxonomy Regulation). The analysis of the subject of the activity covered entities to which the Regulation on the so-called taxonomy in accordance with Art. 1 clause 2 of this Regulation.

Pursuant to Article 10(3) of the Delegated Regulation, the Bank, as a financial enterprise, from 1 January 2022 to 31 December 2023, discloses only the data specified in the above-mentioned regulation. The table below shows the above disclosures.

TAXONOMIC DISCLOSURES (AS AT 31/12/2021)			CONTEXTUAL INFORMATION
Article 10.3.a)	Percentage of total assets of exposures to economic activities that qualify for taxonomy	0.4%	Business activities of financial and non-financial entities subject to Directive 2014/95/EU of the European Parliament and of the Council (NFRD Directive) as described in the Delegated Regulation on the establishment of technical eligibility criteria for determining contributions to climate change mitigation or adaptation to climate change to prudentially consolidated total assets in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR Regulation). The exposures included loans, leases, factoring, corporate bonds and equity interests at gross carrying value
Article 10.3.a)	Percentage of total assets of exposures to economic activities that qualify for taxonomy	2.2%	Business activities of financial and non-financial entities subject to the NFRD not described in the Delegated Regulation concerning the establishment of technical eligibility criteria for determining the contribution to climate change mitigation or adaptation to climate change to the total assets prudentially consolidated in accordance with the CRR Regulation. The exposures included loans, leases, factoring, corporate bonds and equity interests at gross carrying value
Art. 10.3(b)	Percentage share in total assets of exposures to central governments, central banks and supranational issuers	25.0%	Exposures in gross carrying amount to central governments, central banks and supranational issuers to total prudentially consolidated assets in accordance with the CRR Regulation. The exposure includes credit receivables and bonds in the non-commercial portfolio, including bonds issued by the Polish Development Fund and Bank Gospodarstwa Krajowego which are guaranteed by the State Treasury
Art. 10.3(b)	Percentage of the total assets of derivatives	3.2%	Gross carrying amount of derivatives to total assets prudentially consolidated in accordance with the CRR Regulation
Article 10.3.c)	Percentage of total assets of exposures to business entities that are not subject to non-financial reporting	34.6%	Business activities of financial and non-financial entities not subject to the NFRD Directive, i.e. companies in the micro segment (including sole proprietorships), SMEs, corporations, companies in the public sector (including local government units) in gross balance sheet value to total assets prudentially consolidated in accordance with the CRR Regulation
Article 10.3	Percentage share in total assets of the trading portfolio	0.2%	Gross carrying amount of the trading portfolio excluding derivatives, equity instruments as well as loans and advances measured at fair value through profit or loss to total prudentially consolidated assets in accordance with the CRR Regulation
Article 10.3	Percentage of total assets of interbank loans on demand	0.2%	Gross carrying amount of interbank loans on demand to total assets prudentially consolidated in accordance with the CRR Regulation
	Total prudentially consolidated assets (PLN million)	250,642	The value of prudentially consolidated assets in accordance with the CRR Regulation

At the moment, Bank Pekao does not have any objectives related to ensuring the growth of the volume of exposures consistent with the taxonomy in its business strategy and does not take into account these objectives in cooperation with clients and counterparties (disclosure pursuant to Annex XI to the Delegated Regulation to Article 8 of the Taxonomy Regulation). As of the date of this report, work is still ongoing on sustainable finance regulations, which the Bank is reviewing and plans to include in future disclosures.

The shares presented above differ from the ratios reported in accordance with the Bank's ESG Strategy due to the different methodology of their calculation.

1.4.5 Disclosures under the SFDR regulation

In accordance with Article 3(1) of Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on disclosure of information relating to sustainable development in the financial services sector (hereinafter: Regulation of the SFDR), entities providing investment advisory services of the Pekao Group (Pekao TFI, Biuro Maklerskie Pekao), as participants of the financial market, were required to publish on their website information on their strategies regarding introducing risks for sustainable development into the business in the process of making investment decisions.

On March 10, 2021, Pekao TFI:

- in accordance with Article 3(1) of the Regulation, SFDR has published a "Strategy for Incorporating Sustainability Risks into Investment Decision Making on Sustainability Disclosures in the Financial Services Industry."
- pursuant to Article 4 of the Regulation, SFDR has issued a Statement that it does not currently consider the main adverse effects of investment decisions on sustainability factors.
- in accordance with Article 5 of the Regulation, SFDR informed that the remuneration policy for persons whose responsibilities include activities that materially affect the risk profile of the Company and the managed funds and portfolios of TFI's clients has been amended accordingly.

On March 10, 2021, the Pekao Brokerage House:

- in accordance with Article 3(1) of the Regulation, SFDR published "Strategy of Pekao Brokerage House for introducing sustainability risks into its activities as part of providing investment advisory services",
- in accordance with Art. 4 of the Regulation, SFDR issued a statement that Pekao Brokerage House does not take into account the adverse effects on sustainable development factors in the investment advisory process.

1.4.6 Environmental risk in lending activities

Bank Pekao supports environmentally friendly projects and takes environmental issues into account in the process of credit risk analysis and monitoring of transactions.

The Bank supports customers and environmental projects aimed at mitigating climate change, reducing environmental pollution, and projects that support sustainable social development. Therefore, the Bank supports a gradual and orderly transition to a low-carbon economy by limiting the financing of coal mining and energy production from fossil fuels (oil, coal), and increasing the financing of energy from renewable sources (water, wind, sun). The Bank considers infrastructure investments that have low CO₂ emissions and are resilient to climate change and disasters as desirable.

The bank, together with the assessment of creditworthiness and credit risk in the strict sense, carefully assesses the specific risk of a transaction, in particular legal, reputational, political and environmental risk, as well as the risk of non-compliance by the client with the principles of corporate social responsibility, money laundering and terrorist financing (e.g. conflict of interest, transparency, companies operating in tax havens).

In assessing environmental risk, the Bank considers climate, environmental and social risks. It is particularly cautious about the risks posed by, among others, the transition to a low-carbon and "climate-resilient" economy and the risks posed by the so-called physical risks of climate change.

In its day-to-day operations, Bank Pekao is particularly committed to environmental issues. ESG risk assessment is one of the integral elements of the assessment of credit transactions concluded with business entities. Its goal is to promote informed credit decision-making and appropriate relationship management with customers who operate in areas that significantly impact the environment in which we live. Wherever possible, negative environmental, social and climate impacts should be avoided. If avoidance is not possible, negative effects should be adequately reduced, mitigated or compensated for. When there are environmental risks associated with the type of business activities conducted by borrowers, the Bank works with customers to reduce potential consequences that may arise from environmental risks. This cooperation is aimed at identifying, assessing the extent of and mitigating environmental, social and climate risks and is carried out as part of the credit risk assessment process, based on methodologies and using relevant guidelines developed by the European Bank for Reconstruction and Development and the European *Banking Authority*: EBA).

If it is found that the customer is unable to minimize the ESG risk, the Bank determines the conditions for taking specific environmental measures during the transaction, including the possibility of including appropriate environmental clauses in the loan agreement.

Taking into account environmental concerns, the Bank does not finance a number of activities, i.e.:

- new hard coal and lignite mining projects, including trade, and new energy projects based on hard and lignite coal,
- activities that generate a significant threat to the environment, i.e., but not limited to:
 - activities declared illegal, phased out or banned (e.g. production or trade in products containing PCBs, hazardous chemicals, psychoactive substances, ozone-depleting substances, persistent organic pollutants, wildlife and their products),
 - cross-border shipment of waste,
 - keeping animals for the primary purpose of fur production or any activity related to the production of fur,
 - the production, placing on the market and use of asbestos fibres, articles and mixtures containing these fibres intentionally added,
 - exports of mercury and mercury compounds as well as the production, export and import of a wide range of mercury-added products,
 - activities prohibited by the legislation of the host country or international conventions relating to the protection of biodiversity or cultural heritage resources,
 - drift fishing in the marine environment with nets exceeding 2.5 km in length,
 - forced evictions.

The Bank is currently exploring the possibility of supporting the nuclear energy transition.

1.5 The second pillar of the ESG Strategy: Commitment

As part of the second pillar of the ESG Strategy, the Bank will strengthen actions to support the sustainable development of society and the economy. The Bank's goal is to engage in social activities aimed at providing help, providing equal opportunities and preventing exclusion. The strategy assumes that the amount allocated by the Bank for social and environmental purposes will increase from year to year. In addition, the bank plans to increase employee involvement in social and environmental activities. It will also focus on education and raising environmental awareness of the society through partnerships with social organizations and providing digital tools to clients. An important intention is also ecological, convenient for customers and easy access to banking services. Moreover, the Bank intends to participate even more extensively in programmes supporting the development and innovation of companies.

ESG STRATEGY IMPLEMENTATION INDEX	2020	2021	TARGET FOR 2024
2. PILLAR - COMMITMENT			
Number of new ESG initiatives undertaken annually	n/a	over 60 ^(*)	+5 per year
Systematic increase in volunteer hours worked	4,400	6,531	>5 500
Digitization rate	50%	57%	~100%

^(*) The Bank undertook 5 key initiatives for the implementation of the ESG Strategy and over 60 supporting initiatives.

1.5.1 Actions aimed at providing aid, equal opportunities and preventing exclusion

Employee volunteering

GRI 413-1 Operations with local community engagement, impact assessments, and development programs

The idea of helping those in need, involvement in numerous charity, educational, sports and pro-health campaigns have become a permanent part of the organizational culture of Bank Pekao. The comprehensive employee volunteering programme is implemented in accordance with the Bank's Strategy for 2021-2024, where voluntary activities are part of the 4th pillar of the Bank's Strategy: "Responsibility", in particular in the area of "Society", and in line with the ESG Strategy, based on the goals set out in the second pillar of the ESG Strategy "Commitment". In order to facilitate participation in volunteering, the Bank enables each employee in the units to use two working days in a calendar year for volunteering organized with the support of the employer. For volunteer leaders and those interested in becoming involved in helping, workshops are held to prepare for volunteering. The "Volunteering" portal operates on the banking intranet, in which information about volunteering campaigns and their effects are published, profiles of volunteer leaders are presented. Information is also published in banking newsletters. Members of the Bank's Management Board are also involved in volunteering.

Participation of Pekao Bank employees in volunteering is governed by *the Rules for Participation of Pekao S.A. Employees in the Employee Volunteer Programme*. At the Bank, the employee appointed to act as the coordinator for employee volunteering at the Bank is responsible for managing voluntary activities at the central level. In each action, a leader of the voluntary action is appointed - responsible for the course and implementation of one selected action, the duration of which is strictly defined, and the implementation rules are described in a separate document. In addition, an important role is played by a local volunteer coordinator - a volunteer who acts and organizes volunteer projects among employees in the Bank's units, working with the local community or with a selected organization that accepts volunteer assistance in the employee's immediate environment. Employees of any unit (branch) of the Bank, regardless of their location and size, can participate in employee volunteering. Each volunteering action is documented - volunteer campaign leaders are required to submit a substantive report to the Bank, including, among others, photos, video material of the course and information on the number of volunteer action team members, the number of beneficiaries of the action, the number of hours spent by the team on the voluntary project implementation. Volunteer-related campaigns were promoted consecutively at all Bank locations in 2021 and received interest from employees.

In 2021, due to the COVID-19 virus pandemic, the scope of volunteering and the method of operation were adapted to the requirements and restrictions resulting from an epidemiological threat situation. The actions took place in small groups, in accordance with the rules of the sanitary regime. Each of the participants of the initiative was required to complete a written declaration regarding the state of health in the context of the coronavirus threat. The **110** actions organized with the Bank's support involved **1,170** employees who worked more than **6,351** hours for the benefit of volunteering.

Pekao Bank willingly engages in partnerships in volunteer actions. The opportunity to learn about the knowledge and experience of experts from foundations, associations and NGOs is an additional motivation for employees-volunteers and at the same time a guarantee of versatility, timeliness and relevance of the programme to be implemented. In 2021, the Bank's volunteer partners were: National Foundation for Environmental Protection, Apiteria Foundation - A World Full of Bees, Warsaw Banking Institute, SOS Children's Villages Association in Poland, Polish Red Cross and Society for Care of Animals in Poland.

"We are close" grant competition

One of the forms of corporate volunteering is the competition "We are close", addressed to employees working for local communities in their environment, who recognize their needs. As part of the competition, each submitted project, in categories such as ecology, education, sport, culture and art, health promotion, and helping animals, can apply for a grant for implementation from the Pekao Bank S.A. Foundation named after Dr. Marian Kanton. In the 3rd and 4th editions of the competition held in 2021, Bank employees submitted **170** ideas. Grants worth a total of **PLN 383,000** were awarded to 86 diverse projects, such as: first aid training, renovation of sports clubs' training rooms and day care centres, ecological workshops, dance classes for senior citizens and youth, an initiative for the Rural Housewives Association, and organization of a sightseeing trip for the deaf. Another idea for helping and integrating was to organize a theatrical evening for women associated in the Amazon Women Federation. Thanks to the competition, two educational films were also made: training exercises for children in a wheelchair and a video presenting the topic of blood donation and transplantation. Direct beneficiaries of the competition are members of organizations receiving aid, wards of care and educational institutions where volunteer actions are carried out, participants of workshops and classes, members of sports clubs and recipients of educational films. Among them in 2021 were: 255 seniors, 1,493 people with disabilities, 5,090 children and adolescents (in total: **37,061 people**). Help under the competition also went to **1,646 animals** under the care of shelters. Initiatives were carried out in 60 towns all over Poland, 430 employees acted as volunteers, who worked in total **4,816 hours**.

Voluntary blood donation

In addition to the "We are close" grant competition, Pekao Bank successfully engages in numerous actions based on the idea of employee volunteering. An example of this is the long-running action of honorary blood donation with the participation of employees. In 2021, mobile blood collections were established for the first time in several locations in Poland. The campaign was co-organized with experts from the Polish Red Cross. To introduce employees to the idea of blood donation, a lecture on blood donation was organized. Employees were provided with educational materials and a publication about honorary blood donors among the bank's employees. More than **50 litres of blood** were collected during actions organized at the Bank's branches or headquarters (Krakow, Gdansk, Katowice, Warsaw). As a result of the campaign, many people decided to donate blood for the first time in their lives. Debuting in the role of blood donors declared their readiness to continue their commitment to the benefit of patients.

Equal opportunities for all at every stage of life

The SOS Children's Villages Association in Poland has been the Bank's long-standing volunteer partner. The cooperation includes not only the organization of individual actions, but also competence volunteering. In 2021, the project "First job" was continued - an initiative for the charges of the Association entering adulthood, which consisted in the organization of on-line workshops for a group of 40 people. They covered two topics: "Entering the Job Market" and "Motivation and Your Strengths." In response to the needs expressed by the youth educators, a thematic workshop on personal finance was organized for those entering adulthood, entitled: "Your money - your business." Moreover, as part of the annual gift campaigns, donors - bank employees prepared surprises for children and young people on the occasion of Children's Day and the "Santa Claus Campaign". In 2021 over 400 packages with gifts were handed over to the wards of care facilities in Biłgoraj and Kraśnik. Representatives of the Polish national men's basketball team also participated in the final of "Santa Claus Campaign".

Bank Pekao is also a partner of the Warsaw Institute of Banking in the Bakcyl educational programme. The purpose of the initiative is to provide financial literacy to children and teenagers from schools across Poland. In 2021, 6 bank employees participated in training to prepare for their role as educators in the Bakcyl program. Bank employees as Bakcyl volunteers conducted 77 lessons for children and teenagers.

The educational initiative called SeniorOn was addressed to the representatives of the oldest social group. Since September 2018, the Polish Red Cross has been conducting the SeniorON project, which aims to improve the quality and standard of life of older people and prepare them to age with dignity through social activity. Pekao Bank was invited to cooperate in the project as the main partner. 1945 seniors took part in three editions of the initiative. 96 workshops were conducted, 36 of which were led by volunteers from the Bank. They covered the basics of online banking, security in finance and mobile banking. In 2021, it was 5 educational meetings for a group of 90 seniors.

Moreover, the Bank also supports employee-initiated campaigns of various course and topics. In 2021, they included: a campaign to collect gifts for seniors from the Warsaw DPS (nursing home), participation in an educational campaign against violence organized for youth from Siedlce, a collection of gifts for a kindergarten in Sopotnia Mała, and a campaign to prepare gifts for children from a care centre in Brwinów.

Helping Animals

As part of their voluntary activities, the Bank's employees do not forget about animals shelters. In cooperation with the Society for Care of Animals in Poland, two aid campaigns for the shelter in Celestynów were organized. In the December campaign, volunteers from the bank accepted an invitation from a group of volunteers from PZU and joined forces to help. On the occasion

of "Santa Claus in Celestynów" a local collection of donations for animals was conducted, and volunteers took part in minor repair work at the shelter. To promote the idea of adopting homeless animals, the Bank launched a special social media campaign with the slogan "Don't buy, adopt". Volunteers with experience in animal rescue operations prepared photo reports and videos to encourage people to take care of abandoned animals. The campaign included an expert lecture for the Bank's employees, during which everyone could gain knowledge on how to prepare for the adoption of a pet and how to take care of the pet during the first days and months in a new home.

Pekao Group companies also get involved in social activities. In 2021, Pekao TFI employees donated items for the annual charity auction. The funds collected during the auction were donated to selected foundations. At DI Xelion, fundraising for orphanages and educational centres, etc. was held among employees and associates. Financial support for the orphanage was provided by the Card Centre in 2021. In turn, the winners of the integration game - gamification at Pekao Financial Services each month indicated a social benefit organization to which a donation from the management board was directed. Pekao Direct employees got involved in the "Zakręta" campaign. As part of it, thanks to financial resources obtained from the recycling of plastic caps, three charges from the Łupkowa Hospice for Children in Łódź received material assistance. Employees of Pekao Faktoring have joined Pekao Bank's "Sporting Edge of the World" volunteer campaign, donating sports equipment to an elementary school in Rutka-Tartak, Podlaskie Province.

Environmental education

In 2021, thanks to the cooperation with the National Environmental Protection Foundation (UNEP/GRID Centre - Warsaw), the Bank hosted the first of a series of thematic lectures on environmental protection called Nature of the Bison. Lectures conducted by UNEP/GRID experts brought closer the knowledge about climate, described the relationship of climate with our lifestyle, both professional and private. Staff members were provided with educational materials and tools useful for conducting educational workshops. The materials were used during locally implemented initiatives to support environmental protection. In 2021, the project "Bank płynący miodem" ("Bank flowing with honey") was continued and developed. Its purpose is to protect bees, including the wild bee, and to promote urban beekeeping through educational outreach to employees. Thanks to the cooperation with the Apiterro Foundation, employees were provided with thematic materials on the importance of bees in the preservation of biodiversity, interesting facts about these beneficial insects and advice for people setting up home apiaries. Educational videos for beekeeping enthusiasts have also been published, providing a record of visits to the bank's apiary as well as practical knowledge and tips. The partnership included two educational events at the Bank's headquarters, combined with the opportunity to visit the city apiary and meet the city beekeeper. On the roof of the bank headquarters building, bank volunteers checked the condition of the apiary and helped with cleaning works. In the summer of 2021, a "beehive knitting" campaign was conducted in the areas next to the Pilica River. In cooperation with the members of the Beekeeping Brotherhood from Augustów, a group of volunteers prepared two beehives (hollowed out logs of wood), which became home to wild bees living in the Stromecki Forest.

1.5.2 Community service, charity and sponsorship

Bank Pekao's charitable activity is carried out mainly through the Pekao S.A. Bank Foundation named after doctor Marian Kanton. In addition to the activity carried out through this agency, the Bank directly cooperates with selected public benefit organizations to which it makes donations to support their statutory activity. The key internal regulation of the Bank defining the guidelines in this area are the *Rules for granting donations and sponsorship by Bank Polska Kasa Opieki Spółka Akcyjna*. The regulation included, among others, appointing a sponsorship and donation committee supporting the Bank's Management Board in the process of making decisions by the Bank regarding involvement in sponsorship projects or granting donations by the Bank. Pursuant to the *applicable Anti-Corruption Policy in the Pekao Group*, prior to making a donation or entering into a sponsorship agreement, a risk analysis (*due diligence*) is conducted to minimize corruption and reputation risks.

Sponsorship activities

The policy pursued by the Bank and Pekao Group in the area of sponsoring and charity work is aimed at strengthening the image of the Bank and Pekao Group companies as open and modern institutions, close to customers and the communities in which the Bank and Pekao Group operate. In the charity and sponsorship area, there is no single policy at the Pekao Group level. Several Pekao Group companies have implemented donation and CSR policies, e.g. Pekao Faktoring has an internal *Social and Sponsorship Policy* and Pekao TFI has a *Charitable Activities Policy*.

In selecting initiatives, the Bank is moving away from activities based on one-time grants and reactive responses to requests for support to long-term community engagement based on partnerships with organizations that enjoy public recognition and trust. In particular, the Bank engages in projects in such areas as responsible economic development, promotion of the national brand and Polish values, support of culture, sport, assistance to children in need or environmental protection. The Bank's support is provided on two levels: nationwide - where the Bank sponsors strategic events that have a significant impact on Polish culture, and local - supporting initiatives dedicated to local communities.

In 2021, analogically to 2020, due to the ongoing global pandemic caused by the coronavirus, the activities of Bank Pekao as part of sponsorship and charity activities were adjusted to the national requirements and restrictions set by the Polish government and banking supervision. Nevertheless, in 2021, after a one-year break due to the pandemic, Bank Pekao S.A. could once again be the title sponsor of one of the biggest tennis tournaments in Poland - Pekao Szczecin. The greatest involvement in sport, however, was the establishment of cooperation with the Polish Basketball Association (PZKosz) and the Polish Basketball League S.A. (PLK). Bank Pekao has thus become a sponsor of the Polish National Basketball Team and the Polish National Wheelchair Basketball Team as well as of league games. As an official sponsor, the Bank is present at all levels of the games supervised by PZKosz and PLK.

Pekao Leasing has become involved in sponsoring the "Land of the river Bug" Triathlon, a sports event aimed at supporting people with disabilities. Income from entry fees and sponsor contributions was allocated for sheltered housing, which will provide disabled people with conditions for independent living.

Bank Pekao S.A. Foundation named after doctor Marian Kanton

The statutory goals of the Foundation include supporting activities in the field of:

- education and upbringing of children and youth,
- research and teaching projects of scientific institutions and schools,
- popularization of banking knowledge,
- helping people with illnesses and disabilities,
- promoting physical culture and sport,
- environmental protection,
- implementation of projects and activities of charity organizations,
- promoting culture.

In 2021, the Foundation provided support to a wide variety of institutions. Examples of initiatives include purchasing equipment for the Territorial Defence Forces. Helping to educate students, the Foundation purchased equipment for a computer lab at Primary School named after Lwów Eaglets, funded scholarships for students of the John Paul II Catholic University of Lublin and subsidized renovation of the campus of Cardinal Stefan Wyszyński University in Warsaw. Remembering the Poles in the East, the Polish cultural heritage and the history of the Borderlands region, the Foundation also provided funds for the preparation of 80 Christmas packages for Polish families in and around Krzemieniec. In the area of support and development of reading, the Foundation donated funds for the renovation of the social library in Gdańsk. As part of promoting physical culture and sport, support was given to the organization of the "Postcresima" youth camp. The Foundation has also funded scholarships for talented young people from the Healthy Movement Foundation, which promotes sports among as many people as possible and at various sports levels. Bank employees were also involved in the campaign. In 2021 the Bank donated to the Pekao S.A. Bank Foundation named after doctor Marian Kanton donation in the amount of PLN 1,785,000.

Virtual art gallery

A pioneering activity on the market of financial institutions in 2021 was the opening of the virtual Art Gallery of Bank Pekao S.A. and the publication of an album containing photos of the most important works. The collection of almost 1,200 valuable exhibits includes works of art by early artists such as Jan Matejko, Stanisław Wyspiański, Wojciech Kossak, Julian Fałat, Józef Mehoffer and Zygmunt Waliszewski, as well as works by contemporary artists such as Tadeusz Dominik, Jerzy Nowosielski, Jerzy Duda-Gracz, Franciszek Starowieyski and Bożenna Biskupska. The collection also includes sculptures and furniture, lamps and clocks - from the 19th and 20th centuries. The symbolic opening of the virtual gallery was accompanied by the donation of two items from the Bank's collection with an estimated value of PLN 400 thousand to the collections of the Royal Castle Museum and the National Museum in Warsaw. The Museum at the Royal Castle received a 16th-century tapestry by Cornelis de Ronde, entitled "The abduction of Helen", while the National Museum in Warsaw was given a silver casket for jewellery from the beginning of the 18th century made by Daniel Friedrich von Mylius. Bank Pekao has also established cooperation with the Academy of Fine Arts in Warsaw, which produces films promoting works of art from the collection. The first was the report from the exhibition at the William Morris Gallery in London, where, thanks to the cooperation with the National Museum in Krakow, the works of Young Poland artists were shown for the first time on such a large scale. This particular exhibition featured Stanisław Wyspiański's "Pansies" from the Bank's collection.

Bison protection

For many years the Bank has been consistently involved in the protection of Polish bison. The Bank's support goes towards, among others, population diversification and development, herd care, and subsidizing scientific and educational projects that promote the conservation of this exceptional and unique endangered species. For two decades, Pekao Bank has been supporting the implementation of statutory tasks of the Białowieża National Park as a sponsor and partner of the park. The funds provided by the Bank cover some of the park's expenses for monitoring bison in the wilderness, purchasing winter food, and winter inventories. Thanks to the support of Bank Pekao, it was possible to modernize the Bison Show Reserve - the most visited tourist facility in the Białowieża National Park and to equip the educational pavilion, which is part of it. The Bank also supports the activities of other institutions that provide care for European bison, including, among others, the European Bison Reservation in Pszczyna. The facility hosts nature lessons, and there is a chance to learn about the bison family and other animal species during the walk. Another place where the Bank directs its financial aid is the Warsaw Zoological Garden. Pekao donates funds to the Panda Foundation, which operates at the facility and helps to care for the Warsaw herd of nine European bison.

Bank Pekao and the Pekao Group companies, as responsible organizations and active participants in social life, also follow the guidelines of the "Code of Best Practice for WSE Listed Companies 2021" issued by the Warsaw Stock Exchange in 2021, including rule 1.5 regarding charity and sponsorship activities. In 2021, the Pekao Group carried out a number of initiatives to support culture, sport, charity institutions, the media, and social organizations. As a rule, Pekao Group does not support trade unions and political parties through sponsoring or charity activities. The table below presents the expenses incurred in this respect in 2021, along with the distinction of key initiatives.

The expenditure of the Bank and Pekao Group companies according to the areas included in Recommendation 1.5 WSE DPSN 2021 (gross):

- Culture support: 697 thousand PLN, including
 - donation to the Royal Castle
- Sports Support: 2,421 thousand PLN, including
 - Sponsorship of the Polish Basketball League
 - Sponsorship of the Pekao Szczecin Open tennis tournament
- Support for charitable institutions
- Support for public benefit organizations
- Support for social organizations: 411 thousand PLN, including
 - Support for the protection of bison species
- Media support: 751 thousand PLN, including
 - A number of activities related to galas and plebiscites as well as economic discussions such as the eForum of "Parkiet" and "Rzeczpospolita"
- Support for trade unions - PLN 0.

1.5.3 Partnerships for sustainable development

GRI 102-12 External initiatives supported by the organization

The Bank has a long-standing commitment to sustainability as a trusted financial institution, reliable business partner and responsible employer.

On May 5, 2021, Pekao Bank joined the Partnership for the Implementation of the Environmental Sustainable Development Goals "Together for the Environment" in cooperation with the National Environmental Foundation. It is a declaration of active support and implementation of projects to achieve the environmental UN Sustainable Development Goals. As part of it, the Bank, along with 21 other business representatives, announced its commitments on September 16, 2021 climate, i.e. : reduction of the carbon footprint by 2030 - achievement of own climate neutrality (scope 1 and 2. GHG Protocol) and reducing CO₂ emissions in the value chain (Scope 3. GHG Protocol).

Confirmation of the Bank's long-term and comprehensive approach to achieving the ESG goals came when it joined the United Nations Global Compact (hereafter UNGC) on October 19, 2021. Membership in the UN Global Compact means participation in the world's largest platform of corporate sustainability leaders, representing almost every business sector. The Bank thus reaffirmed its readiness to work towards the 2030 Agenda and to integrate the 10 Principles of the UN Global Compact into its strategies, committing itself to far-reaching social, economic and environmental goals.

1.5.4 Providing digital tools to customers

Bank Pekao has been investing in modern digital technologies for years. Thanks to the wide range of innovative solutions, the company meets the needs of customers and develops their digital awareness. In addition, the Bank continues to enhance security and invest in cyber-security to ensure secure banking for customers across all business segments. By 2021, the Bank had nearly 2.4 million active mobile banking customers.

The Bank's main mobile banking tool, **the PeoPay application**, offers a number of innovative solutions. They guarantee customers full availability of services, greater range of orders, automation of recurring payments, instant authorization of transactions. In 2021, the version of the PeoPay application was expanded to include self-service processes, thanks to which customers could place orders for a housing loan, student loan, loan, bill or card on their own without leaving home, including an instruction for the complete early repayment of a mortgage and a loan, a certificate of the amount of debt, issuing a bank opinion or preparation of documents for establishing a mortgage. In 2021, as announced, Bank Pekao was the first in Poland to implement the possibility of opening a selfie account using an e-ID card. In addition, Bank Pekao, through the PeoPay application, also made it possible to use the offer of Pekao TFI investment funds without the need to visit the bank's office.

The **PeoPay KIDS** application, offered since 2020 and aimed at children aged 6-13, has become increasingly popular and appreciated. As part of it, the Bank's youngest customers receive access to Konto Przekorzystny dla młodych (Advantageous Account for Youth), the My Skarb (My Treasure) savings account and the PeoPay KIDS debit card. Thanks to the application, children can learn how to save and manage their money in an easy and accessible way, and thanks to the payment card they can make cashless payments in stores and withdraw cash from ATMs. There is also a coach feature in the app that introduces your child to the world of finance. The PeoPay KIDS app is connected to PeoPay mobile banking and Pekao24 online banking, allowing guardians to view and authorize their child's finances.

Bank Pekao expanded the PekaoID digital identity service and the Trusted Profile, enabling remote confirmation of the identity of retail customers. Thanks to the integration with the eIDAS National Node, there has been a surge in PekaoID activations.

1.5.5 Programmes supporting the development and innovation of Polish enterprises

The Pekao Group is involved in the development and promotion of entrepreneurship in Poland, targeting the market with a competitive offer of preferential financing for investment development. A long-standing partner in this effort is the European Investment Bank (hereinafter: EIB). In 2021, another loan agreement at the turn of the years was signed between Pekao Leasing and EIB, for the amount of EUR 100 million. The loan was secured by a guarantee from Bank Pekao. Under the terms of its agreement, a significant portion of the funds have been earmarked to finance energy efficiency improvements and RES development and to prepare a competitive leasing offering for companies owned or managed by women.

Energy efficiency of companies from northern Poland was to be increased by the second edition of Pekao Bank's Energy Saving Loan. The offer was the result of cooperation between Bank Pekao, the EIB and the Marshal's Office of the Kuyavian-Pomeranian Voivodeship. As part of the Energy Saving Loan, it was possible to obtain funds for the replacement of machines and devices with more energy-efficient ones. With its help, it was also possible to finance the reconstruction of production lines, construction or reconstruction of installations of renewable energy sources used in the enterprise, as well as many other projects aimed at improving the energy efficiency of companies.

In 2021, another year of the crisis caused by the COVID-19 pandemic, an important activity of the Pekao Group was additional support for companies in running their business. As part of cooperation with Bank Gospodarstwa Krajowego (BGK), a new

four-year loan for the amount of PLN 350 million was launched for Pekao Leasing. Within the framework of this project, the company financed the purchase of vehicles and equipment, ultimately intended for Polish entrepreneurs. On the other hand, the POIR (Smart Growth Operational Programme) liquidity loan for entrepreneurs from the Masovian voivodeship was used to help in maintaining the current operations of companies. **The budget of the programme for this region amounted to PLN 25 million.**

Pekao Bank customers, including the former Idea Bank, were also able to apply for the Financial Shield 2.0 subsidy in January 2021. The purpose of the programme was to provide financial assistance to companies in industries forced to curtail or suspend operations due to the outbreak of COVID-19. In total, PLN 13 billion was allocated to the value of aid for micro, small and medium-sized enterprises. Entrepreneurs particularly affected by the outbreak of the epidemic could submit their applications via Pekao24, PekaoBiznes24 and Idea Cloud e-banking.

In 2021, the Bank continued to work on increasing access to remote customer services, including self-service processes. This was intended both to ensure personal safety during a pandemic and to simplify and expedite service delivery in the corporate banking market. The process of opening a selfie account for individual customers has been expanded to include the ability to confirm identity using the electronic layer of the eID using the NFC feature on the smartphone (instead of uploading a photo or scan of the ID). The solution was then made available to corporate customers with an electronic qualified signature - without restrictions and without the need for an in-person meeting or an office visit. The SelfieSign mode, compliant with all regulations and completely safe, also has an additional advantage for a business client, which is the ability to sign a whole set of documents with one click, from anywhere in the world, at a convenient time. Unlike other such solutions, SelfieSign does not entail any product restrictions or transaction limits from the beginning of the relationship. SelfieSign can be used not only by companies, but also by public institutions and local governments. An example was the agreement between the City of Łódź and Pekao Bank to service the local government's budget. It was signed in October 2021 using the verification mode on "selfie" and authorization of documentation by qualified signature.

Pekao Bank was the first bank in Poland to allow customers from the SME and corporate sectors using PekaoBiznes24 e-banking to make a transfer to the phone. From March 2021, they could make a transfer to the phone number of an individual payment recipient, registered in the Polish Payment Standard (PSP) database - in the BLIK system. The advantages of phone transfers are their real-time processing and the fact that the sender does not need to know the recipient's account number, and therefore does not spend time obtaining it and entering it into the transfer form. This proved to be particularly important during the pandemic restrictions associated with COVID-19. It allows to quickly credit an employee's account for the purposes of paying an invoice, making a company purchase, or paying an advance on future remuneration. This form of payment can be used, among other things, to transfer funds as part of a refund, claim or other form of claim by an individual payee, as well as to quickly disburse funds to beneficiaries of insurance or other benefits, such as social security.

Pekao Bank customers have also gained a new platform that brings together and presents a range of financial solutions to help run a business and a collection of useful tips for business owners. The "All in one place" site collects hints of beneficial products and interesting value-added services, presented according to the needs of micro businesses, as well as their stages of development. The platform also features modern tools and attractive offers from partners, such as legal services or IT support.

1.5.6 Designing innovation

The challenges of the COVID-19 pandemic have energized process digitization in all business areas. In Bank Pekao, the unit responsible for creating a culture of innovation, accelerating the implementation of innovative solutions and cooperating with fintechs, startups and technology companies is the Innovation Lab. In its activities, the Laboratory focuses especially on innovations that allow building modern banking and adjusting products and services to customers' expectations. The Innovation Laboratory uses both market and non-industry practices, as well as research on trends, crowdsourced ideas and technologies provided by young companies.

In 2021, Bank Pekao was looking for a solution provider that, based on artificial intelligence, would analyse customer comments in the bank's mobile application on Google Play and the App Store. Twenty-four startups and technology companies responded to the open call announced by the Innovation Lab. Two projects focusing on the most effective use of customer feedback analysis in terms of user experience and development of the Bank's offer qualified for the pilot (the so-called *Proof of Concept*).

In 2021, Pekao Bank together with Huge Tech launched a call for startups and technology companies to join the Idea Global accelerator. The winning project was a grant from the ScaleUp programme of the Polish Agency for Enterprise Development to carry out - in cooperation with the Bank - a pilot of submitted projects that will accelerate the process of digital transformation of the Bank. The result of participation in the programme was the acceleration of four startups.

One of the Bank's biggest achievements in the area of innovation in 2021 was the implementation of a process where ideas solutions are inspired by trends and based on thinking about how the future of banking will evolve. The Innovation Lab has established a team to study trends and signals of change. The research results were analysed during workshops with representatives of all business areas of the bank. The ultimate goal of the project is to build competitive advantage in areas that are not obvious in the financial sector, e.g. by creating new business models or customer segments, also in the ESG sector.

Cooperation with universities

The intensive development of Bank Pekao is possible, among others, thanks to its current and future employees, which is why the bank focuses, on the one hand, on improving the qualifications of its employees, and on the other, on recruiting staff that are just entering the labour market. This is achieved through cooperation with leading universities in the country, which also aims to exchange experiences between business practitioners and representatives of the world of science. Bank Pekao has been committed to the academic community for years, taking part, among others, in many initiatives organized by student councils and universities, and implementing about 500 different projects addressed to students every year.

The most important events in 2021 were:

- signing an agreement to link Bank Pekao and the University of Warsaw with a strategic agreement, which includes the strengthening of the existing cooperation, implementation of joint projects, exchange of knowledge and experience. In addition, the Bank made donations to the university to retrofit educational classrooms,
- a partnership in the Warsaw School of Economics competition for the best Master's thesis together with funding the main prize for the winner,
- conclusion of an agreement between Bank Pekao and the Rzeszów University of Technology, whereby the Bank will support the university's student government in the organization of cultural events.

1.6 The third pillar of ESG strategy: Governance

In pursuit of the highest standards of corporate governance, the Bank is committed to an ethical approach to business, taking into account ESG issues in all key areas. It declares transparency in the field of sustainable reporting and promotion of development, diversity and equality of employees. The key objectives are to increase employee satisfaction and engagement - e.g. through development programs, succession plans and a performance-related attractive remuneration system. 3. The pillar of the ESG Strategy is also the care for gender equality and further reduction of the pay gap as well as maintaining a balanced level of the number of women and men in managerial positions. It is also the Bank's aspiration to strengthen its position in ESG rankings and indices.

ESG STRATEGY IMPLEMENTATION INDEX 3. PILLAR - GOVERNANCE	2020	2021	TARGET FOR 2024
Gender pay gap (*)	37.0%	37.9%	<35 (-5)
Maintaining a balanced level of the number of men and women in managerial positions	42% (men)	43% (men)	50%

(*) The indicated pay gap between the average remuneration of women and men reflects the Bank's ratio of total remuneration between women and men. The overall employment structure has an impact on gender pay gap. In areas related to technology and data analytics (big data), in which the market competitiveness of nominal salaries is high, the majority of employees are men, as it reflects the availability of candidates and affects the average salaries of men in Bank in relation to the average salaries of women in the Bank, who dominate among employed in other areas. The Bank pays attention to ensuring equal treatment with regard to remuneration and non-wage benefits, regardless of age, race, culture, gender, disability, sexual orientation, religion, nationality, political beliefs or views, trade union membership, ethnic origin, religion, marital status, employment fixed-term or permanent, full-time or part-time, and ensures that the pay and any related terms and conditions of employment that affect the pay, including those relating to award and payment conditions, are gender neutral, i.e. not differentiated by gender. In its activities, Bank Pekao pays attention to and analyzes factors that may affect the differences, and takes steps to eliminate them.

1.6.1 Corporate governance and an ethical approach to business

In line with the ESG Strategy, the Bank strives to maintain the highest standards of corporate governance and develops an ethical approach to business. The purpose of corporate governance is to create tools that support effective management, efficient supervision, respect for shareholder rights and transparent communication between the company and the market.

High standards of corporate governance

In 2021, the Management Board of Bank Pekao S.A. passed a resolution on the adoption by the Bank of the *Code of Best Practice for WSE Listed Companies 2021* (hereinafter: "Best Practices") issued by the Warsaw Stock Exchange. The Best Practices have replaced the Best Practices of WSE Listed Companies 2016, which the Bank was applying until June 30, 2021. The *Code of Best Practice* is a set of corporate governance principles which have been binding on issuers of shares listed on the WSE Main Market since 2002 under the Warsaw Stock Exchange Rules. The *Best Practices* take into account the current legal status and the latest trends in corporate governance, as well as the demands of market participants interested in increasingly better corporate governance in listed companies. The *Best Practices* also include requirements related to the ESG area, such as sustainable development, diversity in the composition of company boards and equal remuneration.

The *Best Practices* are an important element in building the competitive position of companies and significantly contribute to strengthening the attractiveness of the Polish capital market. The Bank makes every effort to ensure that *The Best Practices* are applied in full. In accordance with the requirements of the WSE Rules, information on the current state of application of the corporate governance rules is published, including explanations of the reasons for not applying the rules in accordance with the *comply or explain rule*. The benefit resulting from the implementation of the Best Practices was the improvement of standards and transparency of the Bank's operations.

Pekao Group Code of Conduct

The Pekao Group operates in accordance with applicable law and market standards, and promotes ethical behavior in business, i.e. acting based on the adopted values and principles. The Code of Conduct of the Pekao Group (next: "Code of Conduct") includes the most important principles that should be followed by all employees of the Pekao Group, regardless of their position or basis of employment.

In the Code of Conduct, the Pekao Group expresses its support for sustainable economic and social development as well as activities for environmental protection and counteracting climate change. The Code of Conduct refers to the adopted ESG Strategy, which summarizes the approach and priorities in the field of the environment, society and corporate governance.

The Code of Conduct refers to the Bank's values: **#Simple, #Together, #Bold and #Responsible**.

The *Code of Conduct* contains the most important principles of conduct for employees of the Bank and Pekao Group or any other reference setting dating to Bank Pekao Group, in relation to an employment relationship or other control that applies to similar brands as regards the statutes of the Bank or other groups of the Group in their relations with stakeholders: clients, business partners, representatives of local communities, business environment and colleagues. They are unambiguous and

apply to all areas of the Bank's and other Pekao Group entities' activities so as to ensure the highest standards of service provision.

Compliance with *the Code of Conduct* is the basic duty of every employee of the Bank and every employee of other entities of the Pekao Group. Newly hired employees are required to familiarize themselves with the contents of the *Code of Conduct* and confirm it in writing or via the information system before starting work and performing their duties.

The Code of Conduct obliges employees to act ethically, respect the values that shape the organizational culture of the Pekao Group entities, to honesty and integrity, professionalism. Its provisions indicate the need to:

- perform actions in accordance with the law, internal regulations, recommendations of supervisory and control bodies and generally accepted market standards,
- strive to improve the quality of work and standards in order to achieve the desired goals,
- build long-term relationships with clients based on mutual trust and transparent rules of cooperation, providing high quality services tailored to the specificity and needs of each client,
- acknowledge the risk culture, i.e. of the risk limits relating to the activities performed, as defined by the Bank or other Pekao Group entities.

People managing employees are expected to take all possible steps to ensure compliance of the activities of the employees of the structure they manage with the applicable provisions of law, recommendations of supervisory bodies, internal regulations and accepted standards of conduct.

The Code of Conduct shapes the attitude of an employee aware of the fact that his or her conduct, both in the course of performing his or her duties and in his or her free time, may affect the way the Pekao Group is perceived. Everyone should act in a way that will not expose the Pekao Group to reputational risk - while performing official duties, representing companies or referring to employment in them.

***The Code of Conduct* addresses the following:**

- law enforcement
- ethical culture
- values
- ethical action
- proper rules of conduct for employees of the Pekao Group
- treating others with dignity and respect
- work culture
- respect for human rights
- ethical product offering
- consumer protection
- principles for dealing with customer complaints
- responsible marketing and promotional activities
- reputation protection
- communication standards
- financial reporting
- protection of legally protected information
- bank secrecy
- personal information
- company secret
- professional secrecy within the meaning of the Act on Trading in Financial Instruments (so-called brokerage secrecy)
- professional secrecy within the meaning of the Act on investment funds and management of alternative investment funds
- counteracting monopoly practices and fair competition

- confidential information and market abuse
- conflict of interest management policy
- prevention of money laundering and terrorist financing
- counteracting corruption
- accepting or offering gifts and entertainment
- using the services of intermediaries and contractors
- asset protection
- occupational safety and health
- reporting violations (*whistleblowing*)
- actions for sustainable development, ESG strategy.

The Code of Conduct includes examples of acceptable and unacceptable behaviour and actions (case studies) based on the Recommendations of the Banking Ethics Committee of the Polish Bank Association.

Counteracting corruption

Pekao Bank strongly fights against any signs of corruption or situations that could encourage it. The Bank does not tolerate corrupt activities carried out by Bank employees, or by other persons or entities having any relations with the Bank. Employees who refuse to participate in corrupt activities, and those who disclose that such activities have been performed or attempted by other persons/entities, are fully protected. In addition, the Bank does not accept the offering, promising, requesting, giving or accepting of any *facilitation* payments by Bank employees or other persons or entities having a relationship with the Bank. The bank does not operate in tax havens.

In the Bank, in accordance with the guidelines of the "Policy of counteracting corruption in Pekao S.A. Bank Group" (hereinafter: "Anti-Corruption Policy"), the "Anti-Corruption Programme" was adopted. It consists of the following components:

1. Policies and Procedures for:
 - cooperation with intermediaries,
 - gifts and entertainment,
 - recruitment process,
 - cooperation with contractors,
 - donations and sponsorships (including donations to political parties),
 - mergers and acquisitions,
 - significant investments,
 - the Bank's participation in the public procurement procedure,
2. Anti-corruption training and information programs for Bank employees,
3. The process of designing, supervising the implementation of anti-corruption control mechanisms, applying them independently and monitoring their compliance by other organizational units of the Bank, in accordance with the Bank's internal regulations,
4. Compliance risk assessment for the "Anti-corruption" process,
5. Ensuring safe and easily accessible communication channels by means of which the Bank's employees or other persons can confidentially report corruption attempts or actions that have the hallmarks of corruption,
6. Reporting to the Bank's Management Board - as part of the quarterly report on the activities of the Compliance Department on the status of implementation of the Anti-Corruption Programme,
7. Accurate and honest recording of all transactions in the Bank's books and documents and avoidance of undisclosed or unrecorded accounts, funds, assets or transactions.

Anti-Corruption Officer

An Anti-Corruption Officer has been appointed in Pekao Bank's Compliance Department to whom information on attempted corruption or activities with the hallmarks of corruption should be reported. The Anti-Corruption Officer is authorized to investigate suspected or actual corrupt activities, including requesting and reviewing documents from the person suspected of

corrupt activities and reporting such cases in accordance with the prescribed procedure. Detailed tasks of the Anti-Corruption Officer, including developing, implementing and supervising an effective Anti-Corruption Programme, carrying out the legislative process on the Bank's internal regulations on anti-corruption are defined in the "Anti-Corruption Policy".

[GRI 205-1 Operations assessed for risks related to corruption](#)

In 2021, the corruption risk was analyzed both at the Bank and Pekao Group companies. Bank Pekao has defined the main areas of corruption risk related to its business activity, which are:

- use of intermediaries,
- gifts and entertainment,
- recruitment policy,
- use of contractors,
- donations and sponsorships, (including donations to political parties),
- merger and acquisition transactions,
- significant investments,
- participation of the Bank in public procurement procedures.

Corruption risk analysis in the main corruption risk areas, complements the Bank's procedures for assessing other risks (*due diligence*) in these areas.

In terms of anti-corruption, the subsidiaries are guided by *the Code of Conduct* and the same principles as the Bank. The vast majority of companies have appropriate anti-corruption regulations tailored to the size and specific nature of their business. Some companies have specialized coordinating positions or teams responsible for anti-corruption activities. The following were identified as potential corruption risk areas: cooperation with intermediaries and contractors, entering and renewing contracts with contractors, the process of handing gifts and invitations, the recruitment process, donations and sponsorships, merger and acquisition transactions and participation in public procurement procedures. No significant corruption risks were identified in the six subsidiaries.

[GRI 205-3 Confirmed incidents of corruption and actions taken](#)

No corruption cases were reported in the Pekao Group in 2021.

Breach Notification Policy

[GRI 102-17 Mechanisms for advice and concerns about ethics](#)

The *existing Whistleblowing Policy of Bank Pekao S.A.* is an expression of commitment of Pekao Bank to promote a corporate culture that supports ethical behaviour in compliance with laws, procedures and ethical standards binding at the Bank. Its purpose is to provide secure channels for reporting observed practices at the Bank that are inconsistent with applicable laws, internal regulations, unfair or unethical, or reasonably suspected of occurring, and to ensure that reported concerns are received, investigated and appropriately managed, and that the person reporting them in good faith is protected from retaliation.

Early detection of a breach and the consequent remedial actions lead to a reduction or complete elimination of the Bank's reputation risk. A culture of openness and honesty, as opposed to a "culture of silence," leads to increased confidence in the Bank's transparent operations and sends a clear message of zero tolerance for behaviour that is not in compliance with the law or ethical standards.

The policy applies to:

- all persons who are in an employment relationship with the Bank or in any other legal relationship of a similar nature, including members of the Bank's statutory bodies - regardless of the matter reported,
- entities/persons performing activities for the Bank, regardless of the type of agreement between the Bank and a given entity/person - regarding the reporting of actual or potential violations of anti-money laundering and terrorist financing regulations.

In the event of reasonable suspicion that a breach has occurred, or if you have information about a possible breach, you should immediately contact the designated member of the Management Board, and in special cases (e.g. when the report concerns a member of the Management Board) with the Supervisory Board. Reports can be made verbally, electronically, or in writing through dedicated communication channels such as an anonymous telephone hotline, a dedicated email box, or traditional correspondence. All applications shall be treated with utmost care by the Bank and shall be subjected to the procedure prescribed in the Policy. Reporting of a breach may be made in an anonymous form or with the disclosure of the identity of the reporting person.

If the identity of the reporting person is disclosed, this data is protected. Information regarding the submitted application is classified as "Confidential" and is stored with due security measures, in accordance with applicable law and the Bank's rules of classification and management of information.

NUMBER OF WHISTLEBLOWING CASES	2020	2021
Pekao Bank	9	8
Group companies	14	0

Managing conflicts of interest

The *Policy of managing conflicts of interest in the Pekao Group* outlines the rules for managing conflicts of interest and defines the circumstances causing or likely to cause a conflict of interest in the Bank's operations.

The Bank uses a conflict of interest management methodology that enables it to identify, assess the compliance risk associated with a conflict, select appropriate measures to ensure that conflicts of interest are prevented, their adverse effects minimized or extinguished, and monitored.

The Bank defines the circumstances in which conflicts of interest are most frequently identified, taking into account both the areas potentially exposed to the risk of a conflict of interest and the types of relationships concerning the Bank, its employees, Pekao Group entities and third parties, in particular the Bank's clients and counterparties.

The types of conflicts of interest identified and the measures to manage those conflicts that should be followed by Employees identifying conflicts of interest are included in the Conflicts of Interest Matrix.

Conflict of interest management measures used by the Bank in the event of a potential conflict of interest include measures based on:

- organizational structure and consisting of:
 - establishing information barriers (the so-called Chinese walls),
 - introducing the division of tasks taking into account the physical and competence separation of various organizational units of the Bank and the Group's entities in activities which may result in a conflict of interest, in particular the separation of the Bank's organizational units,
 - introducing structural independence consisting in assigning specific competences to each organizational unit of the Bank, description of methods, types of activities and operational behaviours enabling independent decision-making and supervision over the Bank's employees,
 - preventing the simultaneous or subsequent involvement of the Bank's employees in the provision of services, if such involvement may adversely affect the effectiveness of managing conflicts of interest,
- internal regulations introducing rules for remuneration of the Bank's employees, consisting in defining:
 - remuneration principles so that they do not have a negative impact on the interests of the Stakeholder and eliminate direct relationships between the variable part of the remuneration and business goals,
 - entering into own transactions, introducing procedures to prevent abuses related to carrying out own transactions on financial instruments, consisting in setting restrictions on the execution of transactions on the employee's or the Bank's own account,
 - transferring the Bank's employees to other positions in the event of a business subordination between relatives.
- introducing and observing the principles of ethics and corporate culture by employees and conducting appropriate training.

Where, despite all possible measures to manage conflicts of interest, there is a risk of damage to the interests of the stakeholder to whom the conflict relates or there is a significant reputational risk, the conflict of interest shall be disclosed to the stakeholder. Each disclosure shall include a description of the conflict of interest giving rise to the disclosure, adapted to the stakeholder's knowledge and experience, enabling the stakeholder to make an informed decision regarding a specific service and information on the measures applied by the Bank to manage the conflict of interest in order to mitigate the risks associated with the conflict of interest. Disclosure of a conflict of interest does not relieve the Bank of its obligation to apply all possible measures to manage the conflict of interest.

1.6.2 An inclusive organization - growth, diversity and equality

The Pekao Group is the employer of first choice. It recruits the best candidates for work, and provides employees with working conditions conducive to increasing motivation, satisfaction and their commitment. An important goal of the Bank's personnel policy is to invest in the development of skills of all employees. The priority of development programs at the Bank is to identify,

review, verify and develop current and future leaders. The Pekao Group and the Bank create opportunities for individual professional development for employees by investing in training and improving the competences and skills of employees. By creating a friendly work environment, the Bank conducts employee satisfaction and opinion surveys in order to constantly improve working conditions, communication and employee relations. The Pekao Group and the Bank provide employees with equal treatment, personal and professional development and respect for civil liberties.

Human Capital Management

The terms and conditions of employment, work and social benefits at Bank Pekao are regulated by internal legal acts, including in particular: *Company Collective Labour Agreement*, individual employment contracts / managerial contracts, *Labour Regulations* and *Regulations for Company Social Benefits Fund*. Most companies of the Bank's Group have introduced Labour Regulations, Remuneration Regulations and Regulations of Company Social Benefits Funds.

TOTAL NUMBER OF EMPLOYEES ACCORDING TO THE CALCULATION METHODOLOGY ADOPTED BY THE PEKAO GROUP*	PEKAO GROUP	PEKAO BANK
FTEs	14,324	12,412
People	14,842	12,766

(*) Full-time jobs / active people (excluding people on long-term leaves), employed on the basis of an employment contract, excluding management boards.

GRI 102-8 Total number of employees by type of employment, type of employment contract and region, as well as gender

2021	PEKAO GROUP			BANK		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
(a) Number of employees by contract type						
employed under employment contract (permanent + fixed term) - per FTE	10,092	4,275	14,368	8,847	3,564	12,410
employed on so-called civil law contracts and trainee contracts - per FTE (according to the conversion rate of the salary)	37	69	106	19	28	47
Total (FTEs according to GRI methodology)	10,129	4,345	14,474	8,866	3,592	12,458
employed on so-called civil law contracts and trainee contracts - per person	95	101	196	40	47	87
b) Number of all employees with employment contract (permanent + fixed term) by place of employment						
employed in the Bank's Head Office or in the Head Office of a Group company - per FTE	4,630	3,151	7,781	3,465	2,507	5,972
employed outside the Bank's head office or outside the head office of the Group's companies, calculated as FTEs	5,463	1,124	6,587	5,381	1,057	6,438
Number of employees employed on so-called civil law contracts and traineeships, broken down by place of employment						
employed in the Bank's Head Office or in the Headquarters of the Group's companies - per FTE (according to the salary scale)	35	69	105	19	28	47
employed outside the Bank's head office or outside the head office of the Group's companies, converted into full-time equivalents (according to the salary scale)	1.4	-	1.4	0.5	-	0.5
Total (FTEs according to GRI methodology)	37	69	106	19	28	47
c) The number of all employees by type of employment, including employees employed under so-called civil law contracts and trainee contracts						
full-time employees - number of people	9,784	4,159	13,943	8,791	3,533	12,324
part-time employees - number of people	547	485	1,032	230	295	525
Total (persons)	10,331	4,644	14,975	9,021	3,828	12,849

(*) Persons employed under an employment contract, excluding the Bank's Management Board.

GRI 401-1 New employee hires and employee turnover

2021	PEKAO GROUP			BANK PEKAO		
Number of employees	Women	Men	Total	Women	Men	Total
at the company's headquarters	4,717	3,243	7 960	3,469	2,515	5,984
at the company's facilities	5,476	1,144	6 620	5,382	1,057	6,439
Total	10,193	4,387	14,580	8,851	3,572	12,423
a) Number of employees newly hired during the reporting period by age						
<30	523	374	897	272	206	478
30-50	968	655	1,623	705	473	1,178
>50	96	64	160	59	37	96
Total	1,587	1,092	2,679	1,036	715	1,751
Percentage of employees newly hired during the reporting period by age						
<30	33%	34%	33%	26%	29%	27%
30-50	61%	60%	61%	68%	66%	67%
>50	6%	6%	6%	6%	5%	5%
a) Number of employees newly hired during the reporting period by region						
headquarters	1,152	907	2,059	644	575	1,219
company's facilities	436	186	622	392	140	532
Total	1,588	1,093	2,681	1,036	715	1,751
Percentage - company head office	73%	83%	77%	62%	80%	70%
Percentage - company establishments	27%	17%	23%	38%	20%	30%
b) Number of employees who left the organization in 2021 by age and gender*						
<30	393	277	669	146	122	267
30-50	805	457	1,262	672	359	1,031
>50	777	164	937	751	153	904
Total	1,975	898	2,869	1,569	634	2,203
Percentage:						
<30	20%	31%	23%	9%	19%	12%
30-50	41%	51%	44%	43%	57%	47%
>50	39%	18%	33%	48%	24%	41%

SP3 - WSE LABOUR TURNOVER INDEX	PEKAO GROUP			PEKAO BANK		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Number of voluntary departures (including retirements) during the reporting period	739	490	1 229	406	282	688
Number of involuntary redundancies*	1 225	400	1 624	1 151	345	1 496
Total	1 964	890	2 854	1 557	627	2 184
Voluntary staff turnover rate	7%	11%	8%	5%	8%	6%
Forced staff turnover rate	12%	9%	11%	13%	10%	12%

(*) When the employer has decided to terminate the contract as a result of planned layoffs, budget cuts, liquidation of the position or failure to renew the contract

Labour regulations

Labour Regulations of Bank Polska Kasa Opieki Spółka Akcyjna (hereinafter referred to as: "Labour Regulations") establish the organization and order of the work process in Bank Pekao and define the related rights and obligations of the Bank and its employees. The Regulations apply to all employees of Bank Pekao S.A., regardless of the type of work and position held, and irrespective of the basis on which the employment relationship was established. *Labour Regulations* specifically:

- clarify the basic responsibilities of employees and the Bank,
- indicate the working time systems used in the Bank and the starting and ending times of work,
- establish time recording policies, time schedules for monthly periods during pay periods,

- regulate the issue of occupational health and safety training, employee testing, informing employees of work environment hazards, and establish rules for the allocation of work and protective clothing.

Bank Pekao does not apply any additional, apart from the generally applicable, pension security systems. As an employer, the Bank fully complies with the obligations arising from the general pension system, not in arrears with contributions due from employees' remuneration and with employer's contributions. In the Bank, pursuant to the *Company Collective Bargaining Agreement of Bank Pekao S.A.* (hereinafter: "Company Collective Bargaining Agreement", Collective Bargaining Agreement) additional retirement and disability severance payments are applied to employees who become entitled to benefits from the general pension insurance.

The Bank applies notice periods under the Labour Code or under provisions arising from employment contracts, which are no less favourable than those under the Labour Law. Consultations at the Bank with respect to termination of employment contracts are carried out in accordance with the applicable Polish laws. In 2021, the Bank usually used one or three months' notice periods.

Pekao Group and the Bank, in accordance with the applicable laws, shall counteract discrimination in respect of establishing and terminating employment relationships, terms and conditions of employment, promotion and access to training to improve professional qualifications, in particular on the grounds of sex, age, disability, race, religion, nationality, political opinion, union membership, ethnic origin, creed, sexual orientation, and also on the grounds of employment for a definite or indefinite period of time, or full-time or part-time employment.

Company Collective Bargaining Agreement

The *Company Collective Bargaining Agreement* defines the principles of the Bank's HR and remuneration policy, including the principles and conditions of remunerating the Bank's employees and granting other work-related benefits, among others:

- principles of personnel policy,
- working hours,
- principles of the remuneration policy,
- principles of shaping basic salaries,
- bonus fund,
- incentive award fund,
- bonuses,
- retirement and disability benefits,
- severance pay related to termination of employment relationships for reasons not related to employees.

The currently binding Company Collective Bargaining Agreement (ZUZP) was concluded on December 15, 2005 between Bank Polska Kasa Opieki S.A. and the trade unions operating at the Bank.

In the light of the labour law, Bank Pekao is a single employer where the remuneration conditions and the granting of other work-related benefits are regulated by the Collective Bargaining Agreement (ZUZP) and for the employees excluded from the Collective Bargaining Agreement, for whom the remuneration conditions and the granting of other work-related benefits are regulated on the basis of individual managerial contracts (employment contracts).

[GRI 102-41 Percentage of all employees covered by collective bargaining agreements](#)

In 2021, at Bank Pekao, similar to the previous 12 months, the percentage of employees covered by the collective agreement was 77%. There are no collective agreements in Pekao Group companies.

Benefits from the Company Social Benefits Fund

[GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees](#)

The Bank's social activity is organized in accordance with generally applicable legal regulations, and ensures social security for employees. The Regulations of the Company Social Benefits Fund specify the principles and conditions for the use of services and benefits financed from the Fund, as well as rules for the allocation of resources of the Fund for various purposes and types of social activities.

The **Company Social Benefits Fund** is created at the Bank from an annual basic contribution, in accordance with the provisions of the Company Collective Bargaining Agreement - per one employee the contribution amounts to 50% of the average monthly salary in the national economy in the previous year or in the second half of the previous year if the average salary in that period was higher. In 2021, the Bank applied the provisions of the Act on Special Arrangements for Preventing, Counteracting and Combating COVID-19, Other Infectious Diseases and Crisis Situations Caused by Them (Article 15ge (3))

in establishing the allowance for the Social Benefits Fund, according to which the allowance for the Social Benefits Fund was made at the rate of 37.5 per employee. The Bank does not charge a deduction for retirees; instead, it takes care of them.

Social fund at Bank Pekao is intended for:

- co-financing of vacation holidays for employees, children of employees up to 17 years of age and bank retirees and pensioners,
- individual financial and in-kind assistance,
- housing loans,
- cultural and educational as well as sports and recreational activities.

The Fund's expenditure plan is agreed annually with trade unions in the manner and on the terms set out in the Regulations. Financing from the Company Social Benefits Fund is provided to employees of the Bank employed solely under employment contracts. The housing loan benefit may be applied for by persons with at least two years of work experience at the Bank.

Most of the Pekao Group companies offer employees various social benefits, incl. co-financing of a sports card and holiday leave, Christmas vouchers, financial support in difficult life situations, a wide range of insurance. The companies, with few exceptions, provided the same access to benefits to all employees, regardless of FTE.

Remuneration policy

The remuneration strategy, developed in line with the Bank's business standards and values underlying its mission, is reflected in internal regulations and is a factor in building and protecting the Bank's reputation and creating sustainable value for all stakeholders. The key regulation in this area is the *Remuneration Policy of Bank Polska Kasa Opieki Spółka Akcyjna*. This policy reflects the mission and values in the Bank's approach to compensation systems, specifically:

- defines the pillars of compensation, structure management, corporate and organizational processes,
- confirms the requirements of compliance of the adopted remuneration systems with generally applicable law,
- sets out the principles for monitoring market practices and the approach to the issue of remuneration systems ensuring the sustainability of the Bank's operations.

The remuneration structure ensures a direct link between remuneration and performance by guaranteeing financial stability and levels of variable remuneration appropriate to the Bank's financial capacity, establishing performance-based remuneration caps and developing incentive schemes that provide for minimum levels of Bank performance below which no bonus is paid. Variable remuneration includes all remuneration components, the award of which depends on the result, and its payment is directly dependent on individual achievements and the Bank's risk-adjusted performance.

Sustainable performance that contributes to the creation of long-term stakeholder value refers to the actual results achieved and how they are achieved, with a view to measuring performance consistent with shareholder interests and profitability principles based on a safe level of risk, sustainable risk management practices and multidimensional analysis of performance and quality of operations.

To ensure competitiveness of remuneration structures, as well as their transparency and an effective and fair remuneration system, the Bank monitors market trends in remuneration forms and the level of remuneration offered in the market. Decisions regarding the remuneration system in the Bank are made taking into account available data on market trends in the area of fixed remuneration and incentive systems. Such data is obtained from consulting firms offering financial sector analysis. At the level of the Bank's organizational units, comparative analysis is additionally performed to ensure consistency of remuneration in particular areas. In 2021, attention was paid to the analysis of wage coherence between women and men in identical positions, in order to make efforts to compensate for the wage gap existing at the Bank.

As part of the remuneration system, employees are offered non-wage benefits that ensure fair treatment and the consistency of the remuneration system.

Each year, a report is prepared on the operation of the Remuneration Policy in the Bank, which is then presented at the Bank's General Meeting to all shareholders in order to assess whether the operation of the Remuneration Policy in force in the Bank is conducive to the development and security of the Bank's operations.

The companies of the Bank's Pekao Group have remuneration policies adapted to the size and specific nature of their business and remuneration principles.

Motivational systems

There are three main motivational systems at the Bank: The variable remuneration system for the Management Staff, the Management by Objectives (MBO) system and the system based on the provisions of the Company's Collective Bargaining Agreement, which is based on a quarterly bonus and an incentive bonus.

The top management is covered by a variable remuneration system dedicated to people with a significant impact on the Bank's risk profile. The purpose of the system is to support the implementation of the Bank's strategy and to limit excessive risk and conflicts of interest. Under the scheme, a participant may receive variable remuneration based on a bonus pool concept. The system provides comprehensive performance measurement at the individual level, organizational unit level and the results of the entire Bank, including the participant's compliance with the law and standards adopted by the Bank and risk assessment. In order to strengthen the care for building the Bank's sustainable value in the long term, under the system, at least 50% of the bonus is realized in phantom shares based on the value of the Bank's shares, and at least 40% of the bonus is deferred and paid after the end of the assessment period for which it is due.

The system of variable remuneration components is developed by the Human Resources Division with the involvement and participation of other organizational units of the Bank. This is to ensure compliance with regulations, the Bank's Articles of Association and ethical or other standards of conduct applicable to the Bank, such that legal, compliance and reputation risks mostly related to customer relationships are properly controlled and managed.

The variable remuneration systems implemented in the Bank's subsidiaries have analogous patterns of allocating remuneration to cash and financial instruments, taking into account the general provisions and guidelines of market regulators regarding the sectors in which the companies operate.

The MBO system covers employees employed under managerial contracts and applies in particular to sales positions and managerial positions having a significant impact on the achievement of the Bank's planned commercial objectives. Under the MBO system, employees are given individual goals to achieve, which are based on the financial plan adopted for the year and the Bank's key objectives. The amount of the annual bonus depends on the level of performance of these tasks as well as the result achieved by the Bank. Sales employees, cyclically in each quarter, can receive an advance payment towards the annual bonus in the implementation of the set goals.

The system based on the provisions of the Company Collective Bargaining Agreement (ZUZP) applies to all employees who are covered by it. Pursuant to the provisions of the Collective Bargaining Agreement, the basis of the system is a quarterly bonus, which is discretionary in nature and its amount depends on the assessment of the employee's performance and the level of involvement and results achieved by the Bank in a given year, as well as an incentive award, which is granted for special achievements in professional work. In 2021, there were guidelines for variable remuneration, i.e., quarterly bonuses for sales network employees covered by the Collective Bargaining Agreement, which take into account both performance and quality targets.

GRI 405-2: Ratio of basic salary and remuneration of women to men broken down by categories of employees

2021	PEKAO GROUP	PEKAO BANK
Ratio of the average^(*) basic salary of women to the average basic salary of men in the Bank's head office or the company's head office		
Members of the Management Board	0.81	0.98
Managers	0.62	0.74
Others	0.73	0.73
Ratio of the average^(*) total salary of women to the average total salary of men at the Bank's headquarters or corporate headquarters		
Members of the Management Board	0.89	1.31
Managers	0.63	0.74
Others	0.73	0.73
Ratio of average^(*) women's basic salary to average men's basic salary at Bank or company outlets^(**)		
Members of the Management Board	n.a.	n.a.
Managers	0.87	0.86
Others	0.86	0.82
Ratio of average^(*) total salary of women to average total salary of men in Bank or company outlets^(**)		
Members of the Management Board	n.a.	n.a.
Managers	0.90	0.88
Others	0.85	0.81

(*) Average weighted with the number of employees of a given gender in a given category in individual companies.

(**) It applies to companies from the Pekao Group that have both their headquarters and branches.

In fulfilment of the obligation referred to in Article 9ca (5)(1) of the Banking Law Act of August 29, 1997, the Bank provides the PFSA with information for 2021 on the gender pay gap, using the ratio of the average remuneration of women to the average remuneration of men based on the GRI 405-2 reporting standard on the basis of the headcount as at December 31, 2021, based on the base salary as at December 31, 2021, and taking into account those classified as active and employed more than 0.1 FTE as at December 31, 2021:

- a) the gender pay gap for the entire Bank, understood as the ratio of the average remuneration of women to the average remuneration of men working at the Bank, is 37.9% for the total remuneration;
- b) the gender pay gap, calculated as a weighted average for employee subgroups, taking into account job levels, business lines and work at the Bank's headquarters or in the network is 8.4% for total remuneration;
- c) the share of women in employment is 70.8%.

Relations with trade unions and respect for the right to freedom of association

The Bank respects employees' freedom of association and maintains a dialogue with trade union organizations based on respect for the legitimate interests of the parties. The Bank documents social dialogue and provides trade union organizations with dedicated intranet pages for communication with employees.

In 2021, the Bank's cooperation with trade union organizations with regard to consultations, negotiations and agreements was carried out in accordance with the procedure and principles laid down in the Labour Law, respecting the interests of the parties and the principles of social dialogue - 32 meetings were held between the Bank and trade union organizations. Meetings were held in-person as well as, due to the COVID-19 pandemic announcement, via teleconference. The topics of the meetings were mainly negotiations and agreements resulting from the intra-company labour law and generally binding regulations, changes in the intra-company labour law, agreements on the use of the company's social benefits fund and other topics related to collective employee rights.

Additionally, in 2021, the Bank consulted with trade union organizations on the intention to carry out collective redundancies pursuant to Art. 2 of the Act of March 13, 2003 on special rules for terminating employment relationships with employees for reasons not related to employees. On March 23, 2021, the Bank entered into an agreement with seven trade unions operating at the Bank, setting out the principles of group layoffs. One of the Trade Unions did not sign up to this agreement. The parties to the agreement agreed, among other things, on the criteria for selecting employees whose employment contracts were terminated and whose terms of employment were changed, the terms of severance pay and additional benefits, and the scope of the assistance program for the dismissed employees. It was also agreed that the group layoffs would cover, with respect to termination of employment contracts, a maximum of 1,110 employees and with respect to changes in employment conditions, a maximum of 1,250 employees of the Bank until June 30, 2021.

GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

In 2021, there were three collective labour disputes initiated in 2016, 2019 and 2021 by one of the trade unions operating with the Bank, and a collective dispute initiated in 2021 by the other trade unions operating at the Bank.

Trade union organizations may publish their newsletters and information on important employee matters, including dialogue with the employer, on the Bank's intranet sites.

In its mutual relations with the Trade Unions, the Bank was guided by the principle of good faith in developing the best collective labour law solutions for both employees and the Bank. The right to freedom of association and collective bargaining is not violated or threatened to be violated at any Pekao Group facility or location.

Employee Council

On February 22, 2021, pursuant to the Act of April 7, 2006 on informing employees and conducting consultations with them, the Bank's employees in the second round of general elections elected Members of the Employee Council for the term of office of 2021-2025.

A total of 10 meetings/teleconferences were held with the Employee Council in 2021, which included consultation on the intention to make group layoffs in 2021, organizational changes in the Bank's structure, and amendments to the Regulations. The Employee Council has an available intranet page where it publishes its messages addressed to the Bank's employees.

DATA ON TRADE UNIONS IN PEKAO BANK	2020	2021
Number of trade union organizations operating in Pekao Bank	8	9
Number of members of the Employee Council of Bank Pekao	0	7
Unionization in Bank Pekao	54%	53%
Number of days lost due to strike	0	0

Policy Charter Ombudsperson

GRI 102-17 Internal and external mechanisms for obtaining advice on ethical and legal behaviour and organizational integrity issues

The effect of caring for the formation of high quality principles of social coexistence in the workplace, as referred to in Article 94 point. 10 of the Labor Code, there is a function of the Ombudsperson for the Charter of Principles, which operates on the basis of *Principles and mode of operation of the Principles Charter Ombudsperson when considering reports of the Bank's employees for a breach of the Principle Charter value.*

Employees may report to the Ombudsperson if they observe or experience personal behaviour inconsistent with the principles of social coexistence. The Ombudsperson is a shop steward for employees because he or she is bound by confidentiality and discretion. The Ombudsperson's job is to help solve problems resulting from violations of values. Upon receipt of a notification, the Ombudsperson takes appropriate action to reconcile the conflicting parties and repair the relationship, determine the further course of action and its implications for the future.

Counteracting harassment and discrimination

GRI 406-1 Total number of incidents of discrimination and corrective actions taken

The Bank has in force an *Anti-harassment policy of Bank Polska Kasa Opieki Spółka Akcyjna* (hereinafter: "Anti-harassment policy"). This regulation sets out the rules for counteracting actions and behaviours indicating harassment. In addition, the "Anti-Harassment Policy" is designed to support the implementation of labour laws regarding the duty to prevent harassment. The Bank shall in no way tolerate any actions or behaviour of harassment nature towards employees (including manifestations of sexual harassment), and perpetrators thereof shall be immediately subjected to appropriate consequences. According to the provisions of the "Anti-Harassment Policy", each report is reviewed by the Anti-Harassment Committee, a collegial body appointed by the employer to investigate complaints of harassment. Some of the Bank's subsidiaries have developed internal procedures regulating the issues of counteracting harassment, including Pekao Bank Hipoteczny S.A., Pekao Investment Banking S.A., Pekao TFI S.A. and Pekao Financial Services Sp. z o.o. In 2021, no cases of discrimination were recorded at the Bank and the Pekao Group's companies.

1.6.3 Health and safety at work

GRI 403-2 Hazard identification, risk assessment and incident investigation

Pekao Group and the Bank, as institutions aware of their responsibility for the safety and health protection of their employees, are obliged, first and foremost, to:

- prevention of accidents at work, occupational diseases and near misses, using, among other things, technical and organizational progress,
- meeting the requirements of legal regulations and other requirements related to the Bank,
- striving to constantly improve the health and safety at work,
- participation in documenting and updating the occupational risk assessment,
- improving activities in the field of occupational health and safety in order to avoid losses caused by accidents at work,
- raising qualifications and increasing the involvement of employees in activities for health and safety at work,
- providing the necessary technical and financial resources as well as competent personnel to perform the agreed tasks in the field of safety and health protection of employees.

At the Bank, the basic regulations in the field of employee safety are introduced on December 14, 2020 by the Order of the President of the Management Board *Occupational health and safety instruction and Fire protection instruction*.

The most important duty of the occupational health and safety service is to control the conditions under which work is performed, in particular with regard to: the organization of work processes and their impact on working conditions and the technical condition of work premises, including the submission of proposals regarding occupational health and safety requirements, as well as participation in the commissioning of reconstructed facilities.

By examining various aspects of work, the occupational health and safety service has a significant role in making risk assessments. The process is designed to determine what hazards in the work environment may cause injury or impairment to a worker and whether those hazards can be eliminated, and if not, what actions should be taken to reduce the occupational risks associated with those hazards.

According to the demand, the OSH service organizes and ensures an appropriate level of training in occupational safety and health for newly hired employees, cooperates with relevant organizational units in the field of periodic training, as well as with persons performing the tasks of a social labour inspector.

In order to facilitate the performance of these tasks, the Occupational Health and Safety Commission was established in April 2001, whose rights and obligations are defined in a separate regulation Establishment of the Occupational Health and Safety Commission at Bank Polska Kasa Opieki Spółka Akcyjna. The last update of this regulation was implemented in October 2020 by the Order of the President of the Management Board.

The task of the Occupational Health and Safety Commission is to review working conditions, periodically assess the state of occupational safety and health, give opinions on measures taken by the employer to prevent accidents at work and occupational diseases, formulate proposals to improve working conditions and cooperate with the employer in carrying out his obligations in the area of occupational safety and health.

GRI 403-9 Work-related injuries (reported partially)

In 2021, the number of injuries in the Pekao Group was 30, 28 of which involved Pekao Bank employees. No fatal or serious injuries were reported. In terms of the characteristics of the injuries sustained, the main ones to note are: sprains, contusions, and fractures of extremities, spinal injuries, and superficial injuries. In each of these cases, the circumstances and causes of work accidents were analysed, working conditions were inspected, and post-accident recommendations were made.

Medical care

Bank Pekao offers medical care to all employees of the Bank, provided from April 2020 by PZU Zdrowie. The Bank's employees can take advantage of the basic medical benefits package with the possibility of extending them. The wide range of medical services negotiated by Bank Pekao S.A. can also be used by family members indicated by the employee, i.e. children, children over 26 years of age, spouses, partners, parents, in-laws and seniors. The offer of medical care also covers pensioners of Bank Pekao S.A. as part of a specially negotiated package.

The Bank, in cooperation with a company providing medical services, organizes additional initiatives that are part of activities to improve the health of its employees. Among the most important measures are flu vaccinations or additional preventive screenings.

The average monthly number of packages paid by the Bank for employees is 15,873 and the average monthly number of packages paid by employees for themselves and reported family members is 10,707. Pekao Group companies also provide medical care for their employees.

In 2021, the Bank continued its COVID-19 prevention by implementing a number of initiatives to reduce the risk of infection and spread of COVID-19 in bank branches, including through the purchase of personal protective equipment (disposable masks, disposable gloves, disinfectants), purchase of dispenser stands, remote work, equipping customer service stations with plexiglass, implementing internal procedures based on the recommendations of the Chief Sanitary Inspectorate, the Ministry of Health, and also relevant agencies of the World Health Organization. Similar activities took place in Pekao Group companies.

1.6.4 Health-promoting activities

GRI 403-6 Employee health promotion

The "Take Health by the Horns" programme motivating employees to be physically active, follow healthy diet and fight stress was continued for another year in a row at Bank Pekao. The willingness to exercise outdoors and act for the benefit of others was combined in one action "MiLOVE runs with Żubr - helping by running", during which "virtual" miles collected by employees during walks or runs were used for a noble cause. Thanks to the involvement of nearly 400 people and the over 20,000 miles they covered, Pekao Bank provided support to three young scholarship holders of the Run into the Future Programme. The issue of healthy eating was devoted to 14 webinars with a dietitian, seasonal menu suggestions, published tips, recipes and culinary curiosities. The "Stress Reduction Program in 12 Steps", based on the exercise of mindfulness, focused on strengthening the mental resilience of employees and techniques for counteracting stress. The above activities were complemented by a broad preventive campaign conducted with PZU Health physicians. Its aim was both to draw attention to the special protection of health during COVID-19, and to emphasize the need for regular examinations and not postponing them due to the pandemic. As every year, training in first aid was also carried out - including the procedure in the event of suspected coronavirus infection in their programme.

1.6.5 Values-based organizational culture

Caring for employee development with respect for diversity and creating an attractive workplace will remain the cornerstones of Pekao Group's operations. In April 2021, in parallel with the new business strategy, the Bank adopted the values developed with employees: **#Simple, #Together, #Bold and #Responsible**. They are the pillars of the new organizational culture, setting the course of action and style of work. In parallel with the identification of the four new values, their definitions and the behaviours assigned to them, 10 principles for managers were also developed - the Value Principles of Team Management. They are guideposts for executives on how to work with their teams based on new values.

Nearly 5 thousand employees of the Bank and its subsidiaries participated in creating the concept of the new organizational culture. Two questionnaire surveys were conducted, 20 individual interviews with members of the management board and managers, and 40 workshops with the participation of representatives of all divisions in the bank from various organizational levels. Particularly important in this process were the communication and promotion of a work style based on the new values and identification with them so that they became the prevailing norm.

The implementation of new values into the practice of everyday life was facilitated by numerous internal initiatives. As part of the "Collaborating means thanking" campaign, employees sent electronic cards appreciating the actions of their colleagues. Two editions of the "Stars of Cooperation" contest were held to promote attitudes open to cooperation with others. As a result, a total of 2.3 thousand employees (including 1 thousand managers) were appreciated, voted for by almost 3 thousand people. In turn, the values of #Simple and #Together were the subject of a workshop on simplifying business processes. Another edition of the "in Polish, simply" gamification was also created, in which participants solved tasks related to the Bank's values and the ESG Strategy. In addition, four new values were included in the onboarding process so that they could accompany new employees from the very first day of work at the Bank.

1.6.6 Training and professional development

Pekao Group and the Bank provide educational opportunities and access to various forms of training for its employees. The Bank's educational programs include local training and general development webinars, international training and programmes, mentoring, internal and external coaching, and certification training (CFA/ACCA/CIA). The basic internal regulation defining this area is the *Training and Professional Qualification Improvement Policy for Employees of Bank Polska Kasa Opieki Spółka Akcyjna*, which also defines procedures related to the processes of employees' participation in various forms of professional qualification improvement, such as

- classroom group training procedure,
- national individual training procedure,
- procedure for individual language courses,
- training needs survey,
- postgraduate studies and MBAs,
- e-learning group training procedure.

GRI 404-1 Average number of hours of training per year per employee

2021	PEKAO GROUP			BANK		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
(a) i Number of training hours per employee						
Total number of training hours by gender (in thousand)	396	136	533	357	119	476
Average number of hours of training per employee by gender	39	31	37	40	33	38

2021	PEKAO GROUP	PEKAO BANK
(a) ii Total number of training hours by employee category		
Members of the Management Board	1.2 thousand	636
Managers	96 thousand	93 thousand
Others	435 thousand	382 thousand
Total	533 thousand	476 thousand
(a) ii Average number of training hours per employee by job level		
Members of the Management Board	31	71
Managers	57	65
Others	33	34
Total	36	37

1.6.7 Development of competencies and skills

In 2021, the Bank's top training priorities included:

- expanding the specialist knowledge of the Bank's employees,
- leadership development - training for managerial staff,
- cybersecurity training,

Thus, the Bank continued to implement training projects related to the implementation of the adopted business strategies. Training targeted to high-potential employees and induction training for new employees took place. In 2021, the Bank implemented more than 237,000 hours of synchronous training (classroom and virtual classroom) attended by more than 11,000 employees, demonstrating effective implementation of required regulations and concern for customer welfare. E-learning courses and training were delivered at a similar level of over 304,000 hours.

In 2021, several important projects took place at Bank Pekao S.A. as part of general development activities. One of them was "Discovery Week - Learning Week" - an initiative offering a wide range of opportunities to improve and acquire knowledge depending on individual interests, competencies or duties. Its purpose was to educate on hard and soft competencies and increase motivation for self-development. More than 2,000 employees have benefited from the programme. All trainings were designed in an interactive, workshop format that translated into the development of specific skills. In addition to training and workshops, employees could attend one of five lectures with well-known inspirational speakers. All speeches were profiled in terms of banking and professional challenges of the industry, such as self-development, the role of optimism in business or innovation in sales.

Also in 2021, the Robotics Academy was established, a program that develops digital competencies and teaches the basics of automation, including building robots for own needs. The original training programme was developed by practitioners employed by the Bank in cooperation with a partner - the largest provider of automation solutions in the world.

Another offering was the Agile Forge, a three-year training programme that gives every employee a chance to learn essential agile competencies and process optimization through two tracks: Agile and Lean. A comprehensive programme of training, exchange of practical knowledge and coaching is addressed both to people working in product teams and all employees, potential stakeholders of agile methods.

The first edition of the innovative development program TalentsUP, based on practical experience, was also successfully implemented in the Bank. It was addressed to all employees of Bank Pekao, regardless of age, position or work experience. TalentsUP is based on the organization's core and promoted values of **#Simple #Together, #Bold, #Responsible**. Its main element is a year-long project path that gives the opportunity to participate in a team implementing one of eight strategic business projects. During this activity, participants learned about trends, research tools, techniques for prototyping and testing. The programme placed great emphasis on ensuring that the solutions developed were fully or at least partially implemented in

the Bank. The project path is complemented by an 18-month development path based on close cooperation with a coach and a jointly agreed individual development goal and plan.

Leadership development - training for managers

The Leadership Academy and Retail Manager Academy, training and development programmes designed for the bank's management staff, were launched in 2021. The programme was carried out with the support of an external training company and was aimed at preparing the managerial staff both to achieve the business objectives set out in the new strategy of Bank Pekao S.A. and to implement the Bank's values and introduce key changes. The academy was also designed to help managers cope with the day-to-day operational work in a VUCA environment⁴¹. The programmes are designed so that managers gain knowledge in a systematic way and translate it into specific skills on an ongoing basis.

Cyber Security Training

In 2021, the Bank continued its extensive cyber security training project in collaboration with prominent market experts. The theme of the first cycle - "Safe on the Web" - was the conscious and safe use of the Internet, both at work and in private time. The program discussed specific real-world examples and methods to counter a variety of cybersecurity incidents. In addition, the Bank's 2021 "CyberWell" programme was built around an interactive conference format that allows people to choose a path of interest and participate in inspirational lectures and online workshops. The primary goal of the "CyberWell" was to improve digital competencies among IT and security professionals.

Development programmes and initiatives

The priority of development programmes at the Bank is to identify, review, verify and develop current and future leaders. Employees can take advantage of development initiatives focused on supporting professional development, skills, knowledge and competencies, as well as participate in initiatives to strengthen engagement. In 2021, programmes and initiatives were implemented to provide support in developing interpersonal and managerial skills. An example of activities in this area are Succession Plans, which are fundamental to ensure continuity of employment in strategic positions, implementation of long-term projects and minimization of operational risk. In addition, an annual appraisal system takes place - which includes assessing the competencies, potential, planning individual development and business goals of the Bank's employees. Assessment Centre/Development Centre sessions, on the other hand, are aimed at testing professional potential, and their results are used in decision-making processes regarding employment, promotion and development of employees.

1.6.8 Recruitment, Internship and Apprenticeship Programmes

Bank Pekao, as a reliable and responsible employer, comprehensively approaches issues related to the recruitment of the Bank's employees, both internal and external, and provides support in the systematic development of employees.

Pekao Group's recruitment policy is aimed at attracting the best external candidates while promoting internal talent. Thanks to this, Pekao Group employs people with diverse experience and professional competencies. The Bank conducts activities encouraging employees to participate in internal recruitment (throughout the Pekao Group) as part of their professional development in other business areas.

The primary regulation in this regard is the External and Internal Recruitment Procedure. The regulation allows to guarantee an optimal and uniform process of selection of people for the tasks performed in line with the Bank's HR policy and business plans and strategy. The procedure regulates the recruitment process for positions covered by the Company's Collective Bargaining Agreement and the MBO System for positions from and including the N-3 level. Recruitment to positions above the N-3 level takes place according to separate procedures, including in particular the Selection Policy for Candidates for the Position of Member of the Management Board and Key Function and the Assessment of the Suitability of Proposed and Appointed Members of the Management Board, Supervisory Board and Persons Performing Key Functions in Bank Polska Kasa Opieki Spółka Akcyjna.

The recruitment process is each time focused on identifying and verifying the best candidate who meets the job requirements as well as those specified in the recruitment requisition and who has the right attitude as well as competencies that are key from the organization's point of view in accordance with the Competency Model in force at the Bank.

One of the annual goals of the Bank is to acquire a certain number of graduates from the best universities both in Poland and abroad and to offer them professional development within the organization: in the branch network and in units of the Bank's Head Office. With this in mind, in 2021, the Bank offered a year-round internship programme to college students and graduates. Internships last from 2 to 3 months and give the opportunity to gain experience in selected areas of banking, in all organizational

⁴¹ VUCA is an acronym derived from the words *volatility*, *uncertainty*, *complexity*, and *ambiguity*. On the business front, it defines an environment that is like never before in history: volatile, uncertain, complex and ambiguous.

units of the Bank. An additional opportunity to gain experience was the Summer Internship Programme "Academy of the Bison" carried out for two months. In 2021, 54 people participated in the summer internship programme. Students had the opportunity to learn about the specifics of working in different business areas, such as corporate and SME banking, retail banking, risk management, IT, operations and services, finance. Each participant in the internship program was assigned a mentor who oversaw the collaboration and kept track of the assigned individual's progress. The interns had clear tasks in the teams they joined and a real influence on the course of ongoing projects. The cooperation with the bank was on the basis of a fixed-term employment contract.

The dimension of interaction with job candidates, already verified by Bank Pekao, was recruitment in the virtual world as part of Jobicon Festival. It is a place to meet candidates in a safe virtual reality and a customized development environment for young people, created at the intersection of knowledge, technology and entertainment. Jobicon Online provided a space for engaging meetings with thousands of candidates. The events held included:

- interactive and in-person live online meetings with candidates - meetings in private rooms that participants had previously signed up for,
- group sessions,
- webinars for a wider audience.

In 2021, the Bank participated in this event twice. Thanks to the Jobicon practice, the most desired candidates for work from all over Poland were efficiently and quickly acquired, and deep and long-term relationships with the candidates were established and built. The internship provided an opportunity to share knowledge and experience with young people entering the workforce.

Employer branding activities

Bank Pekao takes care to shape the image of a stable and attractive employer, among other things, through cooperation with universities. Major initiatives in 2021 include:

- Substantive partnership in the evaluation of the works the role of the main founder of the financial award in the prestigious "Dean's Award of the Master's Study at the Warsaw School of Economics". The purpose of the award is to honour the best student of the Warsaw School of Economics, whose excellent academic results and original diploma thesis met the competition criteria.
- Participation in the "SGH Career Day" job fair at the Warsaw School of Economics.
- Support for the initiative of the National Conference of the Students' Parliament of the Republic of Poland "Young people on the labour market", as part of which the Bank organised a webinar entitled "A career in the COVID era - is it possible and how to start it", as well as provided a series of individual recruitment interviews,
- Meeting during the Warsaw Information Technology Days - an event addressed to people connected with broadly understood computer science and data science, regardless of their level of advancement.
- Participation in the UKSW Employer Days, during which Bank Pekao S.A. offered individual consultations with our Recruitment Team, concerning the choice and development of one's career path, recruitment conditions, the nature of work, required competencies, chances for promotion.
- Career Week of Military University of Technology - an event during which the Bank's representatives introduced recruitment plans and familiarized students of the Military University of Technology with the expectations and specificity of work at Pekao S.A.

1.6.9 Diversity and equality

In line with the ESG Strategy, the Bank's priority is to integrate ESG factors into the incentive system of the Bank's key management personnel and to strengthen gender equality. The Bank intends to achieve this through the integration of ESG factors into the incentive system of the Bank's Management Board and key management personnel, an annual performance appraisal based on the achievement of targets, an annual salary review, and a succession plan and development programs to support the professional development of women. The Bank declares the development of networking activities and mentoring programmes for women, while continuing to reduce the gender pay gap. Pekao's priority will be to maintain a balanced number of women and men in managerial positions. Providing flexible work arrangements and supporting work-life balance will remain important.

Pekao Bank has a gender equality policy in place to help effectively manage careers, achieve success and evaluate work based on individual performance, regardless of gender. Guidelines of this policy are, for example, striving to ensure the representation of both genders in recruitment, eliminating discriminatory criteria in the preparation of job offers or including gender equality issues in training programmes.

Pekao has also had an anti-harassment policy in place for over ten years. Supporting the equality policy is the Charter of Principles, an internal set of corporate values that include: respect, trust equality, freedom (understood as freedom of action), reciprocity and transparency.

GRI 405-1 Composition of supervisory bodies and staff by gender, age and other indicators of diversity

2021	PEKAO GROUP					
	Women	Percentage	Men	Percentage	Total	Percentage
(a) i. Number of Supervisory Board Members (in persons)	22		39		61	
% of Supervisory Board members	36%		64%		100%	
(a) ii. Composition of the Supervisory Board - by age groups (FTEs)						
<30	0	0%	0	0%	0	0%
30-50	11	82%	19	83%	30	83%
>50	2	18%	4	17%	6	17%
Total	14	100%	23	100%	37	100%
(b) i. Number of employees by employment structure (per person):						
Board members	7	18%	33	83%	40	0%
Managers	933	56%	746	44%	1,679	11%
Others	9,392	71%	3,844	29%	13,236	89%
Total	10,332	69%	4,623	31%	14,955	100%
(b) ii. Total number of employees by age group (FTE) - Board members:						
<30	0	0%	0	0%	0	0%
30-50	3	43%	24	83%	27	75%
>50	4	57%	5	17%	9	25%
Total	7	100%	29	100%	36	100%
(b) ii. Total number of employees by age group (in FTEs) - managers:						
<30	6	1%	7	1%	13	1%
30-50	653	71%	561	79%	1,214	75%
>50	256	28%	139	20%	395	24%
Total	915	100%	707	100%	1,622	100%
(b) ii. Total number of employees by age group (FTE) - Others:						
<30	658	7%	427	12%	1,085	9%
30-50	5,140	57%	2,183	63%	7,323	59%
>50	3,192	36%	868	25%	4,060	33%
Total	8,990	100%	3,478	100%	12,468	100%
Total number of all employees by age group (FTE, excluding management)						
<30	664.5	7%	433.9	10%	1,098.4	8%
30-50	5,793.3	58%	2,743.9	66%	8,537.2	61%
>50	3,448.1	35%	1,007.0	24%	4,455.2	32%
Total	9,905.8	100%	4,184.9	100%	14,090.7	100%

2021	PEKAO BANK					
	Women	Percentage	Men	Percentage	Total	Percentage
(a) i. Number of Supervisory Board Members (in persons)	5		4		9	
% of Supervisory Board members	56%		44%		100%	
(a) ii. Composition of the Supervisory Board - by age groups (FTEs)						
<30	0	0%	0	0%	0	0%
30-50	1	60%	0	25%	1	44%
>50	0	40%	1	75%	1	56%
Total	1	100%	1	100%	2	100%
(b) i. Number of employees by employment structure (per person):						
Board members	1	11%	8	89%	9	0%
Managers	815	57%	615	43%	1,430	11%
Others	8,170	72%	3,166	28%	11,336	89%
Total	8,986	70%	3,789	30%	12,775	100%
(b) ii. Total number of employees by age group (FTE) - Board members:						
<30	0	0%	0	0%	0	0%
30-50	1	100%	7	88%	8	89%
>50	0	0%	1	13%	1	11%
Total	1	100%	8	100%	9	100%
(b) ii. Total number of employees by age group (in FTEs) - managers:						
<30	4	0%	4	1%	8	1%
30-50	572	70%	486	79%	1,058	74%
>50	238	29%	125	20%	363	25%
Total	814	100%	614	100%	1,428	100%
(b) ii. Total number of employees by age group (FTE) - Others:						
<30	380	5%	255	9%	634	6%
30-50	4,570	57%	1,884	64%	6,454	59%
>50	3,085	38%	811	27%	3,896	35%
Total	8,034.4	100%	2,949.5	100%	10,984	100%
Total number of all employees by age group (FTE, excluding management)						
<30	383.7	4%	258.7	7%	642.4	5%
30-50	5,141.9	58%	2,369.5	66%	7,511.4	61%
>50	3,323.1	38%	935.4	26%	4,258.5	34%
Total	8,848.7	100%	3,563.6	100%	12,412.2	100%
(a) iii. Distribution of employees according to other diversity indicators						
citizenship other than Polish	4		5		9	
certified disability	183		44		227	
Total	187		49		236	

Gender equality and diversity policy

The Bank has a gender equality and diversity policy with regard to members of the Supervisory Board, members of the Management Board and persons holding Key Functions at Bank Polska Kasa Opieki Spółka Akcyjna (Gender equality and diversity policy), which defines the strategy for managing diversity of the Bank's employees, including diversity with regard to the appointment of members of the Supervisory Board, members of the Management Board and persons performing Key Functions at the Bank. The Gender Equality and Diversity Policy defines guidelines to ensure that Bank employees are able to manage their careers, achieve success, and have their work evaluated based on individual performance, regardless of gender. The purpose of the Bank's diversity strategy, as referred to in the Gender Equality and Diversity Policy, is to ensure high quality performance by the Bank's employees, including the selection of competent persons to perform functions in the Supervisory Board, the Management Board and Key Functions in the Bank, using objective merit criteria in the first instance and taking into account the benefits of diversity.

Gender equality provides opportunities for Bank employees to manage their careers, achieve success, and have their work evaluated based on individual performance, regardless of gender. The Gender Equality Guidelines apply to all HR processes implemented by the Human Resources Division and specify:

- striving to ensure the representation of both genders in external recruitment processes, by preparing lists of recommended candidates, which include at least one candidate of each gender,
- striving to ensure the representation of both genders in internal recruitment processes, by preparing lists of recommended candidates for a given position, which contain at least one candidate of each gender,
- eliminating discriminatory gender criteria in the preparation of job offers and job descriptions,
- informing external partners operating in the areas of recruitment and training (temporary work agencies, recruitment agencies, employment agencies, public employment agencies/employment offices, *head-hunting* agencies) about the scope and content of the implemented Gender Equality and Diversity Policy and the Bank's commitment to its objectives,
- ensuring equal opportunities of professional development for the Bank's employees (training, coaching, mentoring and other development activities during work) regardless of gender, taking into account job responsibilities, efficiency, professional potential in accordance with the organizational needs, standards and criteria of the Bank, defined by separate internal regulations,
- ensuring equal treatment of Bank employees with respect to remuneration and additional benefits, irrespective of gender, in accordance with the Remuneration Policy of Bank Polska Kasa Opieki Spółka Akcyjna and generally applicable provisions of law in this respect,
- promoting work-life balance for employees by taking advantage of opportunities provided by relevant regulations in this area and available facilities such as:
 - a) offering flexible work models (part-time employment, etc.) in a manner consistent with applicable laws, in particular labour and social security laws and internal regulations and taking into account business and organizational requirements and needs,
 - b) supporting employees during and after long-term absence (e.g. after parental leave, unpaid leave, sickness and any other long-term absence) by avoiding discrimination during and after long-term absence, enabling employees to stay in touch with the company during long-term absence and facilitating their return after long-term absence in accordance with applicable laws, in particular: labour and social security laws and the Bank's internal regulations,
 - c) integrating gender issues into training programs, including, but not limited to, management, adaptation programs and other forms of training and communication.

The Gender Equality and Diversity Policy, in accordance with the legislative process applicable to the Bank, has been adopted by the Bank's Management Board and approved by the Supervisory Board. Gender equality and diversity policies are also in place at 8 subsidiaries: Pekao Direct Sp. z o.o., Centrum Kart S.A., Pekao Bank Hipoteczny S.A., Pekao Financial Services Sp. z o.o., Pekao Investment Banking S.A., Pekao Leasing Sp. z o.o., Pekao TFI S.A. and Pekao Faktoring Sp. z o.o.

Selection and suitability assessment policy

The Bank applies the Policy on Selection of Candidates for the Position of Member of the Board of Executives and Key Function and Assessment of Suitability of the Proposed and Appointed Members of the Board of Executives, Supervisory Board and Persons Performing Key Functions in Bank Polska Kasa Opieki Spółka Akcyjna (Selection and Suitability Assessment Policy) approved by the Bank's Supervisory Board on December 30, 2020, which is aimed at ensuring an optimal and uniform selection process of candidates to the position of a member of the Board of Executives and the Key Functions at the Bank, so as to ensure that the tasks related to the implementation of the Bank's business plans and strategy are performed by persons who have the required knowledge, experience and skills, as well as a good reputation.

The Selection and Suitability Assessment Policy also sets out the criteria for assessing the individual and collective suitability of candidates and members of the Board of Executives, Supervisory Board and persons performing Key Functions in the Bank at the appointment stage and in the course of their functions, as well as the events triggering the need for a suitability assessment, the course of the suitability assessment process, including roles and tasks in the process and the effects of the assessment, including corrective measures to be applied to ensure that suitability requirements are met.

Activities promoting diversity

The Pekao Group and the Bank implement many initiatives proposing to support diversity, addressed to all employees, including the submission of their initiatives and the active use of existing projects. The overarching goal of these activities is:

- full use of the potential of all employees in the process of managing the intellectual capital of the company and building an organizational culture based on sharing knowledge and experience,

- increased employee engagement and satisfaction across all age groups, including through development programmes, motivational goals, succession plans and compensation systems,
- improving the strategy of managing people in the organization through the development of leadership,
- developing an employee-friendly organization.

Bank employees may participate in the following initiatives to promote support for diversity:

- workshops promoting diversity of operation and communication styles among employees, which discuss personality types and the resulting differences in the communication process, relationship building and preferred methods of operation based on the Insight Discovery methodology,
- training for managers "Managing a team based on Insight Discovery". Their aim is to provide managers with knowledge on diversity management, drawing attention to the diverse needs and ways to motivate employees depending on their age, experience, competencies and skills. The training discusses diversity management, the challenges faced by managers managing a diverse team, taking into account generational differences, the diverse experience of subordinates and their individual needs and motivators.

The Bank also has initiatives to strengthen diverse leadership and develop women in management positions. The intranet website has a separate section "Women Leaders for the Bank" devoted to this topic, presenting extraordinary stories of women managers who have successfully achieved their professional goals.

An important action taken by the Bank to promote open dialogue with women and discuss the needs of this group of employees (ladies account for over 70% of the Bank's workforce), was the launch of the "Sugar Free" programme in 2020 under the patronage of Vice President Magdalena Zmitrowicz. The main activities undertaken in 2021 were focused on areas related to the development of women's personal and professional competences. More than 50 hours were spent on various activities such as webinars, training and sessions of *Action Learning*. During 70 hours of online training, topics related to, among others, the development of personal skills, strengthening competences, overcoming own limitations, building an image and personal brand. The Sugar Free program was present at one of the most important market events of "Perspectives" *Women in Tech Days* aimed at women interested in modern technology: Pekao S.A. Bank and the "Sugar Free" programme were represented by 5 ladies from the IT and Risk divisions who were speakers, mentors and workshop leaders, sharing their knowledge and experience.

Diversity efforts support initiatives open to all employees regardless of gender, position or organizational assignment, such as "Take Health by the Horns," the Stars of Collaboration competition and *Talents Up*.

Integration of ESG factors across all key business areas

In the process of managing environmental, social and corporate governance topics, it is crucial to position ESG appropriately in the organizational structure. In order to coordinate issues related to this topic as efficiently as possible, in December 2020, Bank Pekao S.A. established the ESG Council, an advisory body to the Bank's Management Board that meets at least quarterly. The main task of the Board is to recommend to the Bank's Management the necessary actions in the ESG area. At the same time, the Council is intended to consult widely on strategic ESG topics, taking into account the commercial perspective. The Board was composed of Board members and representatives of the Bank's key units (both business and support) for ESG topics. With their participation, and the full support of the Bank's Management Board and Supervisory Board, the ESG Strategy 2021-2024 "Responsible Bank supporting sustainable development" was developed. When developing the assumptions of the Strategy, a top-down approach was adopted with the use of workshops and consultations with units involved in the process. The ESG Coordinators, appointed in different areas of the Bank's operations, and the ESG Team combining competencies in environmental, social and corporate governance topics, are responsible for the ongoing monitoring of the strategy.

The Bank aims to integrate ESG into all key processes of Pekao's operations, including lending, investment and advisory processes, procurement, and the incentive system. The Bank also recognizes the potential inherent in ESG product offerings and is taking steps to increase its "green" portfolio across all business segments. Transparency of ESG policies and non-financial reporting remains a priority, especially in the context of recent regulations that require banks to increase non-financial disclosures such as reporting of greenhouse gas emissions or labelling of industries and customer transactions in terms of sustainable investments consistent with the so-called taxonomy regulation⁴². The integration of ESG goals at the Bank is fostered by the regular participation of the Bank's representatives in sustainable development initiatives, e.g. under the United Nations Global Compact Poland, in the work of committees and working groups of the Polish Bank Association and other industry organisations.

The Bank's commitment to ESG is evaluated by the market in international rankings and indices. The Bank's priority is to increase its position in environmental, social and corporate governance statements as a result of systematically undertaking and disclosing ESG activities.

⁴² Regulation No. 2020/852 of the European Parliament and of the Council of June 18, 2020 on establishing a framework to facilitate sustainable investment.

RATING	2020	2021	CONTEXTUAL INFORMATION
MSCI ESG Ratings	A	A	MSCI ESG measures the resilience of companies to long-term risks in the areas of: environmental protection, corporate social responsibility and corporate governance.
FTSE4Good Russell	3.1	3.1	FTSE Russell ESG evaluates the data of approximately 4100 companies in 47 developed and developing countries. The FTSE rating is designed to facilitate investment in companies that meet internationally recognized standards of corporate responsibility and is the basis for a company's inclusion in the FTSE4Good index. Companies in the FTSE4Good index series have met rigorous environmental, social and corporate governance criteria and are well placed to harness the benefits of responsible business practices.
WIG-ESG	Proportion of share in the index: 4.8%	Proportion of share in the index: 5.6% ⁴³	The WIG-ESG Index has been published since September 2019, based on the value of a portfolio of stocks of companies considered socially responsible. The base value of the index was established as at December 28, 2018 and amounted to 10,000.00 points. WIG-ESG is a total return index, which means that its calculation takes into account both the prices of transactions concluded in it and dividend income. The share of one company in the index is limited to 10%, while the total share of companies, each of which exceeds 5%, is limited to 40%.
Bloomberg Gender Equality-Index	73/100	79/100	The Bloomberg Gender-Equality Index may include large listed companies actively striving for gender equality in the work environment. Globally, in 2022, the index included 418 companies from 45 countries and representing 11 sectors of the economy. Participants in the index were selected from publicly traded companies with capitalizations greater than \$1 billion. To be included in the index, it was required to obtain a high enough result in a survey based on five areas: women's leadership and talent development, equal pay and wage parity, inclusive work culture, sexual harassment policy, and the female brand. The Bloomberg GEI rating, issues of respect for diversity and gender equality are analysed in terms of, among others, conditions of employment, educational activities, employee benefits and perks, professional development opportunities, promotion path and compensation.
Sustainalytics	26.9 medium risk	29.1 medium risk	The ESG risk assessments issued by Sustainalytics focus on financially significant ESG risks and cover more than 20,000 companies from 172 countries. The agency's methodology includes an analysis of companies' exposure to significant ESG risks and an assessment of how companies manage these risks. Risk factors are determined on an industry basis and are determined by analysing 20 factors specific to each industry.
Vigeo Eiris	32/100	47/100	The Vigeo Eiris score presents the extent to which companies integrate environmental, social and governance factors into their strategies and operations. The index includes entities from 40 different industries from around the world. During the ESG assessment, 38 issues are reviewed.
Responsible Companies Ranking	Item 9. (410/500 points) out of 74 companies in the general classification	Item 11. (84/100 points) ⁴⁴ , out of 70 companies in the general classification	List of companies operating in Poland assessed in terms of the quality of their corporate social responsibility management system. The ranking enables companies to reliably assess their progress in meeting the challenges of sustainable development. The basis for the Responsible Companies Ranking is a questionnaire, which is completed by the companies in accordance with the principles of due diligence and professional ethics.

⁴³ WIG-ESG index portfolio (as revised on December 17, 2021, as of November 30, 2021).

⁴⁴ The ranking organizer has made changes to the scoring methodology.

1.7 Bank as a market participant and service recipient

1.7.1 Customer Relationships

Satisfaction management

Taking care of the high quality of customer relations, their satisfaction and loyalty are key to building lasting value for all the Bank's Stakeholders. In 2021, the Bank re-launched customer satisfaction and loyalty surveys covering the most important processes and touchpoints. More than 10,000 customers using services in the branch and in remote and digital channels participated in the research on customer satisfaction with the services provided by the bank. Findings were used on an ongoing basis to manage negative events at the operational and strategic levels. As part of the study of the level of service quality in the facilities, a study of the quality of service of corporate customers and a study of the quality of service of individual customers were conducted. The results of this research were used to improve the services provided by the bank. The research conducted in 2021 targeted customer feedback on satisfaction ratings with the service provided by the advisor, in the branch, on the hotline, and in digital channels and in the complaints process. In 2021, the bank also launched relationship research with Premium, Biznes and SME clients.

In addition to research commissioned by business units, the Bank systematically uses benchmark reports on customer satisfaction, loyalty and service quality in Pekao Bank and competitive banks.

NON-FINANCIAL INDICATORS (BANK)	PERFORMANCE	2020	2021
NPS Indicator ^(*)		42	38

^(*) Calculated by an internal survey method based on a single question posed to customers by telephone with the content: "Considering your cooperation with Pekao Bank so far, would you recommend its services to your friends and family? Please use a scale from 1 to 10, where 1 means you would definitely not recommend this bank and 10 means you would definitely recommend this bank."

Complaints management

Pekao Group companies systematically improve the procedures and take the necessary measures to respond quickly to customer complaints and to consider them in a way that takes into account the legitimate interests of customers to the maximum extent. This is ensured by internal regulations on the complaint management process, as well as strict compliance with generally applicable laws. The detailed operating procedures for complaint management contained in the bank's regulations clearly and precisely define the responsibilities and competencies necessary to meet the requirements for handling complaints. Complaints are handled in a fair and objective manner, taking into account all information and documents related to the problem reported by the customer and in accordance with the provisions of the law and agreements concluded.

The process of considering complaints at the Bank is primarily aimed at:

- transparently informing current and potential customers about the possibility of submitting complaints as well as the terms and dates of considering complaints,
- independent, reliable, objective and timely handling of complaints,
- taking improvement or corrective action in the event of any irregularities resulting in a customer complaint.

In 2021, the Bank continued to manage the complaint process in accordance with the guidelines adopted so far: it thoroughly analysed each complaint, and in the case of identified irregularities, took appropriate corrective actions. Systematic analysis of complaints enabled appropriate actions to be taken to improve processes and procedures applied in Pekao Bank or their elements.

Complaint Process Indicators:

- In 2021, Pekao Bank received a total of 136,629 customer complaints,
- 98.5% of complaints were examined within the statutory deadline. The ratio improved by 6.5 pp compared to the previous year (2020 - 92),
- 51,402 complaints were resolved within 14 days,
- 71,466 (52%) of the submissions were fully or partially considered in favour of the client.

During the resolution of disputes that may arise in connection with the services offered, customers may use the assistance of the Customer Ombudsperson. The Ombudsperson deals with the most difficult and non-standard cases that require an individual approach and additional legal opinions. Any customer may contact the Ombudsperson if he or she does not agree with the decision regarding the complaint submitted, if he or she believes that the matter is complicated and requires an individual approach or if he or she wishes to make comments on the functioning of the Bank. The customer who is a consumer of the Bank may also apply for out-of-court proceedings before the Banking Arbitrator operating at the Polish Bank Association or before the Financial Ombudsperson.

The companies of the Pekao Group manage complaints on their own, based on the implemented and implemented procedures for accepting and considering customer complaints. These procedures have been defined in the form of internal regulations, included in regulations and contracts concluded with customers or result from generally applicable legal regulations.

In 2021, in connection with the acquisition by Bank Pekao of part of the Idea Bank S.A. enterprise, the process of handling complaints from former Idea Bank SA customers was adjusted to the standards in force at Bank Pekao. Acquired customers were informed about the rules of filing and processing of complaints applicable in Pekao Bank.

Caring for the consumer

Pekao Group provides services in a competent and professional manner. According to the Code of Conduct of Pekao S.A. Group, it is unacceptable to use practices that infringe collective consumer interests, such as:

- failure to provide consumers with accurate, truthful and complete product information,
- application of prohibited contractual terms;
- unfair market practices or acts of unfair competition;
- offering consumers to purchase financial services that do not meet the needs of those consumers or offering to purchase those services in a manner that is inappropriate to their nature (*misselling*).

Ethical consideration is given to the implementation of new products and services. When offering products and services, employees provide full information about the current offer in a reliable and understandable manner. They explain the terms of the contract and inform about the risks associated with the products and services offered. This area is covered by the provisions of two regulations: *Rules for the sale of credit and payment products to consumers at Bank Polska Kasa Opieki Spółka Akcyjna* and *Policy of sale of investment products*. The first relates to the Bank's activities in the product sales process, as well as general guidelines for advertising products to customers. It also includes an exemplary list of inappropriate practices in the sale of credit and deposit products. *Policy*, on the other hand, lays down uniform rules for the sale of investment products for all organizational levels of the Bank and introduces consistent assumptions regarding the standards for implementing investment products. Its purpose is to ensure that the Bank acts in the best interest of the client, as well as to mitigate compliance risk and protect the Bank's reputation.

In addition, as part of the "In Polish, simply" programme, the Bank continues to work on simplifying the content of its messages. In 2021, the Simple Communication Commission was established, which recommends organizational units to simplify specific texts addressed to customers and prepared for the needs of internal communication. As part of the practical activities, over 40 employees took part in the course of plain language consultants led by linguists. Those who complete the course will help other employees create simple messages. They will also participate - as trainers - in an in-house training programme on plain language. The bank also actively participates in the work of the interbank group under the patronage of the Polish Bank Association, whose task is to create standards for straightforward bank documents.

Principles for the fair design and sale of financial products and services

[GRI 417-2 Incidents of non-compliance concerning product and service information and labelling](#)

Pursuant to the generally applicable laws and regulations, both the Bank and Pekao Group companies, engaged in offering financial products and services, have in place a number of regulations defining the standard of their operations and setting out the principles to be followed to protect clients' interests, minimize compliance and reputation risks in selling products and services to consumers. At Bank Pekao, this area is comprehensively regulated by the *New Product Introduction Process Policy at Bank Pekao S.A.* (hereinafter: New Product Introduction Policy) and the *Rules for Developing Marketing Communications of Bank Polska Kasa Opieki Spółka Akcyjna* (hereinafter: *Principles of creating marketing communication*). The standards of offering and selling also define: *Rules for the sale of credit and payment products to consumers at Bank Polska Kasa Opieki Spółka Akcyjna* and *Policy of sale of investment products*. The risk of misleading the customer about the product designation is managed through ongoing verification, i.e. through the process of opinion on marketing materials by, among others, the Compliance Department. The process of giving opinions on marketing materials and official instructions is covered by the Bank's Internal Control System.

In 2021, there were no cases of non-compliance with the provisions on information and labelling of products and services and no cases of non-compliance with regulations resulting in a warning in the Bank and in the Pekao Group companies to which the disclosure related to the GRI 417-2 index was concerned.

Responsible marketing

In accordance with the applicable internal regulations, marketing and advertising activities carried out in the Bank and Pekao Group take into account the provisions of the generally applicable law and guidelines of the supervisory authorities, principles of fair trading in the financial market, good manners and customer declarations of intent pertaining to such activities. Moreover, they are carried out in line with the Bank's communication strategy, while preserving its visual identity and image, adopted internal regulations and the clarity of the communication message. Bank Pekao S.A. observes the principles of the Code of

Banking Ethics of the Polish Bank Association and the Canon of Good Financial Market Practices adopted by the Polish Financial Supervision Authority. The Pekao Group's Code of Conduct emphasizes that each employee is an ambassador of products and services offered both by the Bank and by other entities of the Pekao Group. Professional promotion of products and services strengthens customer confidence and helps build relationships based on mutual respect and trust.

The Bank's responsible promotion is based on reliable and transparent knowledge about products, including possible risks arising from changing macroeconomic conditions or the activities of regulators. Marketing and advertising activities carried out in Pekao Group take into account the provisions of generally applicable laws and the guidelines of the supervisory authorities, the principles of fair trading in the financial market, good manners, and are conducted with respect for the client's wishes concerning these activities. The key regulations related to this area in terms of compliance risk assessment are the *New Product Introduction Policy* and the *Principles for Creation of Marketing Communication*, which were prepared in connection with the decision of the Bank's Board of Executives to adopt the Corporate Governance Principles for Supervised Institutions issued by the Financial Supervision Authority. This regulation includes, among others, the basic requirements for the content of marketing and advertising materials, taking into account the nature and specificity of a given product, including: consumer credit, mortgage credit, bank account (in particular savings account, savings and checking account or savings term deposit account), insurance product and investment product.

In addition, Bank Pekao applies the *Standard and Crisis Communication Policy of Bank Polska Kasa Opieki Spółka Akcyjna* and the *Principles of Appropriate Behaviour in Social Media*, which comprehensively refer to communication and promotional activities carried out with the Bank's stakeholders through social media. In 2021, a new regulation was introduced, the Pekao Group Brand Architecture Management Policy, addressed to all subsidiaries, which relates to the protection and promotion of the Bank's brand and includes a comprehensive Book of Visual Identification.

Bank Pekao shall make every effort to ensure that the advertising message does not undermine public confidence in advertising activities, does not contain content or images that offend commonly applicable moral norms, does not abuse customer confidence by exploiting customers' lack of experience or knowledge, does not appeal to feelings of fear, does not contain elements that could lead to or encourage acts of violence and, finally, does not condone discrimination, in particular on the grounds of race, religion or gender.

In 2021, Bank Pekao S.A., in order to meet the expectations of its customers in a difficult year marked by a pandemic, decided to launch a number of promotional campaigns aimed at reducing the costs of banking services, such as the campaign for a consolidation loan or the campaign for a free account with an additional Assistance insurance package. In addition, Bank Pekao, as the leader of banking digitization, continued marketing campaigns on the Internet and social media, strengthening virtual social relations with seniors, children and youth.

In 2021, experts and customers appreciated in particular the promotion of the unique product PeoPay KIDS, which is a kind of tool for financial education of the youngest, for which Bank Pekao S.A. received a number of awards, including a distinction in the IAB MIXX Awards - for the product launch of PeoPay KIDS, strategy, creation, execution and use of media, as well as the results and effectiveness of the action and the TOP 5 in the Multiscreen Excellence YT Works Awards for creative use of the YouTube channel as part of a comprehensive campaign, including both traditional and digital media.

[GRI 417-3 Incidents of non-compliance with marketing communications](#)

In 2021, analogous to the previous years covered by non-financial reporting, the Bank and Pekao Group companies did not report any instances of non-observance or non-compliance in the area of marketing communications.

Principles of free competition

GRI 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

The Bank and its subsidiaries are bound by the *Bank Pekao S.A. Group Policy on counteracting practices that limit competition and infringe collective consumer interests*. The Policy defines the basic principles of Bank employees' actions in compliance with antitrust and unfair market practice regulations and the main tasks of the Bank's organizational units in this respect. In 2021, the Bank did not pay penalties for violations of collective consumer rights and free competition.

The companies comprising the Pekao S.A. Group in 2021 also had their own regulations in this area, such as: *Pekao Direct's policy on counteracting competition-restricting practices and practices violating collective consumer interests*, *Policy of Pekao Bank Hipoteczny S.A. in the field of counteracting practices restricting competition and practices violating collective consumer interests*, *Anti-monopoly Procedure. Counteracting Restrictive Practices and Violating Collective Interests of Consumers* (Pekao Leasing), *Instruction concerning anti-monopoly behaviours and unfair market practice* (DI Xelion).

Legal risk issues related to foreign currency mortgage loans in CHF are included in the Consolidated Financial Statements of the Bank Pekao S.A. Group for the year ended December 31, 2021, note 37. Risk Management, subsection 6.2 Credit risk, paragraph 2) Litigation related to CHF foreign currency mortgage loans.

LEGAL STEPS TAKEN AGAINST ORGANIZATIONS FOR VIOLATIONS OF FREE COMPETITION RULES AND MONOPOLISTIC PRACTICES		2021
Bank Pekao		3 (ongoing)
Pekao Group entities		0

Availability of services

The Bank is committed to reducing financial exclusion, defined as limitations in access to financial services due to disability. In 2021, a new functionality was introduced, consisting in the possibility of video chat with a Pekao Direct consultant using sign language. This service is available to Pekao Bank customers in the Pekao24 service without logging in.

Additionally, in 2021, 177 direct service branch network employees participated in "Standards of Service for Individuals with Special Needs" training, which addressed the following topics:

- **How to understand disability:** variety of definitions and meanings of disability; types of disability; stereotypes associated with disability,
- **Identification of barriers faced by people with disabilities:** difficulties that people with various types of disability may experience; barriers resulting from the attitude of the environment and ways of reacting to them; discussion of attitudes - prejudices, pity, overprotection, overacting, compassion, fears,
- **Communication and savoir-vivre towards people with disabilities:** how to adapt communication to the type of disability; how to recognize needs, what to ask and how to ask; customs, social forms and polite rules in contacts with people with disabilities,
- **Assertiveness towards people with disabilities:** where is the line between being sensitive and being assertive and what are the methods to deal with attitudes of people who use their disability to influence.

1.7.2 Responsible purchasing process

Pekao Group and the Bank treat their counterparties with due respect and select suppliers of goods and services objectively and impartially, thus ensuring good and fair business relations. When selecting suppliers, the Pekao Group and the Bank apply internal procedures in line with the best practices and the mandatory provisions of Polish law. Pekao Group builds long-term relationships with suppliers based on mutual trust, respect and professionalism. In particular, suppliers who apply proven market practices and represent the highest level of professional ethics are appreciated.

The course of purchasing processes is defined by three key regulations in force since 2018: *Purchasing policy at Bank Polska Kasa Opieki Spółka Akcyjna*; *Principles for the execution of purchases by the Purchasing Department at Bank Polska Kasa Opieki Spółka Akcyjna* and *The rules for the execution of purchases without the participation of the Purchasing Department at Bank Polska Kasa Opieki Spółka Akcyjna*. The rules were revised again in 2019 and 2020 following the further transformation of the Bank's purchasing function. Another improvement step initiated in 2019 was the full digitalization of the procurement processes and the communication carried out with bidders at the stage of procurement proceedings and orders placed. The result of the work done so far on the digitalization of purchasing processes is the implementation of the Integrated Purchasing Tool. The new system was followed by an update of the Bank's purchasing procedure.

In the procurement procedures conducted, the subject matter of the contract shall be defined uniformly for all contractors in a manner that ensures fair competition. Each company may be invited to participate in the procedure and, provided that the

Bank's internal requirements are met, submit an offer. All bidders planned to be included in procurement procedures are registered in the supplier database and taken into account when constructing a list of potential suppliers.

The companies invited to participate in the procedure may ask questions regarding the submitted specification. Information on the outcome of a given procedure is sent to all participating bidders. In order to ensure impartial selection of suppliers of goods and services, committees are appointed to ensure the transparency of the supplier selection process and to approve the recommendations of the most advantageous offer.

In accordance with the accepted principles applied in awarding contracts, the Bank uses the electronic method of conducting negotiations in a significant part of proceedings, which definitely facilitates conducting proceedings of national and international range. The advantage of using such a solution is high efficiency and transparency of the negotiation process.

In addition, when conducting tenders, the Bank verifies potential bidders in terms of the risk of corruption and in terms of sanction lists (US and EU sanction lists) and public warnings of the Polish Financial Supervision Authority. Companies that execute orders for the Bank are informed of the violation process adopted and the relevant provisions of the Bank's anti-corruption policy.

Environmental and social criteria

[GRI 414-1 New suppliers that were screened using social criteria](#)

When the Bank conducts tenders (with the net value exceeding PLN 1 million), suppliers are required to fill out a "Corporate Social and Environmental Responsibility (CSR) Form". In this way, Bank Pekao undertakes actions for sustainable development, environmental protection and preventing human rights violations by the Bank's business partners. The form contains questions about the incorporation of environmental protection regulations and respect for human rights in the daily activities of the supplier or contractor. The scope of issues on the form includes:

1. In terms of the environment:

- possession of certificates confirming the pro-environmental profile of the business of a given contractor,
- compliance with the laws and regulations in the field of environmental protection, carried out inspections and criminal cases related to non-compliance with the provisions in force in this regard,
- implementation of innovative, environmentally friendly new technologies,
- organizing training and information meetings for employees on environmental issues.

2. In the social field:

- prohibition of forced labour,
- respect for the laws governing working hours,
- respecting the provisions of the law on health and safety,
- compliance with labour law and regulations, including payment of remuneration customary in a given sector for all employees.

The percentage of procedures carried out with suppliers selected in terms of meeting environmental and social criteria in 2021 amounted to approx. 20%.

1.7.3 Personal data protection

The Bank and the Pekao Group entities shall comply with the generally applicable laws and principles set out in Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC - General Data Protection Regulation (hereinafter the "GDPR").

Personal data is processed in Bank Pekao in accordance with the provisions of law and with due diligence in order to protect the interests of the data subjects.

Bank Pekao is both a data controller and a processor within the meaning of the provisions of the GDPR and is fully responsible for compliance with the provisions on the protection of personal data, in particular taking into account the rules on the processing of personal data indicated in the GDPR, such as:

- The principle of lawfulness, fairness, transparency and accuracy through the processing of personal data in accordance with the law, fairly and transparently for the data subject (Article 5 (1) (a) and (d) of the GDPR),
- The principle of purpose limitation by taking into account that data are collected for specific, explicit and legitimate purposes (Article 5 (1) (b)). GDPR),

- The principle of minimization by considering that the scope of the processed data must be adequate and limited to the minimum necessary to achieve the indicated purpose. (Article 5(1)(c). GDPR),
- The principle of integrity and confidentiality through the application by the controller of appropriate technical and organizational measures ensuring data security (Article 5 (1) (f) of the GDPR),

In order to ensure comprehensive measures in the area of personal data protection, the Bank carried out a project aimed at preparing the organization to meet the requirements resulting from GDPR; as a result, the Bank's activities were analysed for compliance with the requirements indicated in GDPR with respect to IT systems, processes, internal regulations, as well as operations performed and document templates.

As a result of the analysis, the scope of necessary actions to be taken by the Bank was defined and a number of internal regulations relating to particular areas of the Bank's operations were implemented. These regulations include:

- *Information Security Policy along with the Information Security Policy Documents,*
- *Methodology of managing the risk of infringement of rights or freedoms of natural persons in Bank Pekao S.A. (PIA Methodology),*
- *Rules of personal data protection and rules of obtaining consents for Bank Polska Kasa Opieki Spółka Akcyjna to undertake activities for direct marketing purposes,*
- *Register of processing activities and Register of processing activities categories kept by Bank Polska Kasa Opieki Spółka Akcyjna,*
- *The rules of granting personal data processing authorizations and authorizations of access to the Bank's information to persons employed in the Bank,*
- *The procedure for examining the requests of data subjects under the GDPR by Bank Polska Kasa Opieki Spółka Akcyjna,*
- *Personal Data Retention Policy at Bank Polska Kasa Opieki Spółka Akcyjna,*
- *Procedure for managing personal data protection violations in Bank Pekao S.A.,*
- *The rules and procedure at Bank Polska Kasa Opieki Spółka Akcyjna in connection with the commissioning of services involving the processing of personal data,*
- *Application Security Policy at Bank Polska Kasa Opieki Spółka Akcyjna,*
- *Rules of protection and the manner of proceeding with information in Bank Polska Kasa Opieki Spółka Akcyjna,*
- *Protection of electronic information in Bank Polska Kasa Opieki S.A.*

Directors of the Bank's organizational units and information owners are fully responsible for the organization, security, processing of personal data in their subordinate units. Employees, on the other hand, are obliged to process personal data in accordance with the authorization given to them resulting from the scope of activities specified for their position. To this end, Bank Pekao develops and implements mandatory training programmes for employees on the protection of personal data, systematically monitoring the progress of the training courses.

The aspect of personal data protection is also taken into account in the current activities of the Data Protection Inspector's Office (hereinafter referred to as DPO) when giving opinions on new processes, projects and initiatives as well as analysing internal regulations or contracts concluded by the Bank in terms of personal data. The DPO and the DPO Office, as well as the Bank's Security Department, verify new technological solutions in order to ensure compliance with the requirements and principles set out in the GDPR and the highest possible level of security of personal data processed.

Moreover, the Bank decided to implement the principles of personal data protection with regard to the application of technical and organizational measures ensuring the protection of the processed data. The Operational Security Centre (OCC) was established, a unit that supervises unauthorized access to data (including personal data), as well as (through the systems operating at the Bank) to prevent leakage of such data.

[GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data](#)

GRI 418-1 SUBSTANTIATED COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND DATA LOSS	PEKAO BANK	PEKAO GROUP
Complaints received from external parties in 2021 and supported by the organization	0	0
Complaints from regulators in 2021	61 new complaints (no continuation)	3
Total number of identified leaks, thefts or losses of customer data	27	20

1.8 Cooperation with the environment

1.8.1 Communication with stakeholders

GRI 102-40 List of stakeholder groups engaged by the organization

STAKEHOLDER GROUP	COMMUNICATION TOOLS	FREQUENCY OF COMMUNICATION	TOPICS REPORTED	BANK OPERATIONS
Investors (shareholders, bondholders and purchasers of other securities issued by the Bank, market analysts and rating agencies)	General Meeting of Shareholders	At least once a year	<ul style="list-style-type: none"> Strategy execution, value building, organizational change Macroeconomic and market forecasts Distribution of profits to shareholders 	Transparency of operations, easy and quick access to information about the Bank, application of external regulations and market standards.
	Roadshows and conferences	Several times a year		
	Investor Day	Depending on the needs		
	Meetings and teleconferences	Several hundred a year		
	Stock Exchange and Press Releases	Ongoing		
	Financial Reports, data summaries and presentations of results	Quarterly		
	Bank's website and online information channels	Ongoing		
	Meetings with rating agencies	At least once a year		
	Permanent Cooperation of IR & ESG Strategy Department (institutional investors and individuals, analysts and capital market organizations);	Ongoing		
Customers	Branches, online and mobile banking	Ongoing	<ul style="list-style-type: none"> High quality products and services offered, Fair consumer practices Safety of entrusted funds Ease of communication with the Bank 	Offering competitive, high-quality products and services tailored to clients' needs; applying procedures to ensure fair and secure management of client funds; providing multiple access channels; creating transparent terms and conditions of offers and contracts. collecting expectations and opinions of customers; contribution to and adhering to best practices of financial services advertising standards.
	Bank's website and online information channels	Ongoing		
	Hotline	Ongoing		
	Complaints	Ongoing		
	Product and service satisfaction and service quality surveys	Ongoing		
	Advertising campaigns and marketing activities	Ongoing		
	Product offers, mailing	Ongoing		
	Participation in trade fairs	Depending on the possibilities		
Employees	Internal communication	Ongoing	<ul style="list-style-type: none"> Job stability and professional development opportunities Attractive remuneration system Bank strategy and key objectives Transparent organizational structure Work-life balance 	Listening to employees' opinions (chats, satisfaction surveys), providing employees with development opportunities (promotions, trainings), clear, measurable goals to achieve which are subject to monitoring, adequate wage and benefit policy, meetings with employees and current communication with employees, providing a friendly place to work: including the implementation of the possibility of remote work and health-promoting and preventive actions.
	Intranet, chat rooms, discussion forum	Ongoing		
	Company trade union organizations	Ongoing		
	Meetings with the Management Board	Several times a year		
	Competition trips, "Olympic games"	At least once a year		
	Employee volunteering	Ongoing		
	Webinars	Ongoing		
	Employee assessment	At least once a year		
	Internal publications	Ongoing		
	Thematic surveys, evaluation surveys, employee opinion surveys	Several times a year		
	Whistleblowing Reporting System	Ongoing		

Suppliers	Meetings with suppliers, negotiations	Ongoing	<ul style="list-style-type: none"> Transparent rules for selecting and working with suppliers 	Use of transparent supplier selection procedures; timely execution of contract provisions, promotion of good purchasing practices.
	Special purchasing platform, Phone, e-mail	Ongoing		
	Ongoing cooperation and implementation of contracts	Ongoing		
Social and natural environment	Charity and sponsorship activities, activities for the climate	Ongoing	<ul style="list-style-type: none"> Social and environmental projects Reducing negative impact on the environment, environmental education of customers and employees Work and development opportunities for students 	Implementation of projects related to sponsorships and charities; supporting community development; encouraging employees to participate in social and environmental actions, reducing negative impact on the environment.
	Employee volunteering	Ongoing		
	Meetings with students, student internships	At least once a year		
Media	Press conferences	Several times a year	<ul style="list-style-type: none"> Implementation and promotion of the bank's strategy Reliably informing all stakeholder groups about the bank's activities/situation through the media Building a leadership position/ financial sector expert 	Transparency of operations, easy and quick access to information about the Bank.
	Press releases	Ongoing		
	Social networks	Ongoing		
	Interviews, expert speeches	Ongoing		
	Attending economic conferences, etc.	Several dozen times a year		
	Permanent cooperation of the Communication Office (journalists, media)	Ongoing		
Regulators (e.g. KNF, BFG, UOKiK, NBP, KSF ⁴⁵ , WSE, KDPW ⁴⁶)	Reports, correspondence, inspections	Ongoing	<ul style="list-style-type: none"> Compliance with requirements and regulations; Supporting the creation of new rules in the market, including best practices. 	Compliance with requirements, regulations and best practices, ongoing cooperation with Regulators.

GRI 102-42 Basis for identification and selection of stakeholder groups involved

GRI 102-43 Approach to stakeholder engagement, including frequency of engagement by stakeholder type and group

GRI 102-44 Key issues and questions raised by stakeholders in stakeholder engagement processes

Pekao Bank maintains active, transparent and effective communication with all stakeholders of the Bank, taking into account their needs and providing them with equal access to information using various communication tools. Major stakeholder groups include:

- Investors, market analysts and rating agencies
- Customers
- Employees
- Suppliers
- Social environment
- Media
- Supervision institutions (including KNF, BFG, UOKiK, NBP, KSF)

⁴⁵ Financial Stability Committee (KSF).

⁴⁶ National Depository for Securities (KDPW).

These stakeholder groups that are particularly important when it comes to our business model, strategy execution and the Bank's further development.

The rules of the Bank's information policy with respect to contacts with investors and securities market analysts, the media and clients are governed by the Bank's information policy which is available on the Bank's website under the "Responsible Business" tab:

<https://www.pekao.com.pl/relacje-inwestorskie/raporty-i-sprawozdania/odpowiedzialny-biznes.html>

1.8.2 Bank's cooperation with industry organizations

GRI 102-13 Membership of Associations and Organizations

Pekao Bank is actively involved in industry associations and organizations. Engagement in this area can be divided into four main areas:

- The Polish Bank Association together with its Committees and Boards, including: Bank Cyber Security Centre Committee, Real Estate Finance Committee, Clearing Agents Committee, Bank Card Issuers Council, Electronic Banking Council,
- Associations and organizations with international reach, including: International Swaps and Derivatives Association (ISDA), Institute of International Finance (IIF), Association of Chartered Certified Accountants (ACCA), United Nations Global Compact,
- Associations and organizations with national reach, including: Association of Stock Exchange Issuers, Chamber of Brokerage Houses, Polish Human Resources Management Association, Association of Bank Dealers ACI Polska, Polish Association of Capital Investors,
- Associations and organizations with a local focus: Lublin Business Club, Podkarpackie Business Club.

GRI 102-13 Membership of Associations and Organizations

THE BANK'S ACTIVITY IN ASSOCIATIONS AND PROFESSIONAL ORGANIZATIONS IN A GIVEN YEAR (NUMBER OF AFFILIATIONS)	2020	2021
ZBP and Committees and Councils operating at ZBP	14	14
Associations and organizations with international reach	14	14
Associations and organizations with national reach	6	6
Local associations and organizations	2	2

1.9 Information about the Statement

[GRI 102-45 All entities included in the consolidated financial statements or equivalent documents](#)

[GRI 102-50 Reporting period](#)

[GRI 102-54 Indicate whether the report was prepared in accordance with Standard in the Core or Comprehensive option](#)

This Non-Financial Data Statement, published on 3/3/2022, has been prepared in accordance with the GRI Standards methodology at Core level and GHG Protocol for the calendar year 1/1/2021-31/12/2021 as part of the *Bank Pekao S.A. Group Performance Report*. It covers the entire Group, i.e. the companies:

1. Bank Pekao S.A.
2. Pekao Bank Hipoteczny S.A.
3. Centrum Kart S.A.
4. Pekao Direct Sp. z o.o.
5. Pekao Faktoring Sp. z o.o.
6. Pekao Financial Services Sp. z o.o.
7. Pekao Investment Banking S.A.
8. Pekao Investment Management S.A., including: Pekao TFI S.A.
9. Pekao Leasing Sp. z o.o.
10. Dom Inwestycyjny Xelion Sp. z o.o. (for the period 1/1/2021 - 31/10/2021)

The *Statement* does not include PeUF Sp. z o.o. and companies of companies in liquidation.

[GRI 102-52 Reporting Cycle](#)

The Bank Pekao S.A. Group reports data on an annual basis.

[GRI 102-46 Process for defining report content and boundaries for reporting material aspects](#)

[GRI 102-47 Important aspects identified in the process of defining the content of the report](#)

[GRI 102-48 Impact of any changes to information provided in previous reports and reasons for such changes](#)

[GRI 102-49 Significant changes from previous reporting periods in the scope and boundaries of aspects](#)

The analysis of relevant topics for the report was conducted based on the expectations of stakeholders (primarily - rating agencies, investors and stock analysts), the ESG Strategy and the Bank's business strategy and regulatory requirements. Consideration was given primarily to:

- Requirements of the NFRD directive (implemented into Polish law in the form of amendments to the Accounting Act)
- Best Practice of WSE Listed Companies 2021
- ESG reporting guidelines issued by the WSE
- European Securities and Markets Authority guidelines
- Requirements resulting from the reporting principles within the PZU Group

Based on the analysis, the following topics were identified as important to report in the Statement:

ISSUE NAME	COMPANY PERSPECTIVE (IMPACT ON THE COMPANY)	PERSPECTIVE ON THE ENVIRONMENT (INFLUENCE ON THE ENVIRONMENT)
Factors having significant impact on the Bank's and Pekao Group's operations and performance, including COVID-19 pandemic, inflation, rising energy prices, Idea Bank acquisition, exposure to franking credits, as well as changes in the regulatory environment - Taxonomy Regulation, SFDR Directive, CSRD Directive project, etc.	5	5
Financing sustainable projects, orderly and gradual transition to a low-carbon economy, supporting energy transition, offering ESG products, green financing, use and diffusion of environmentally friendly technologies	5	5
Reducing carbon footprint and striving for climate neutrality, organization's attitude towards climate change, reducing resource consumption, taking initiatives to promote environmental responsibility attitude, preventive environmental approach	5	5
Community engagement, educational activities, volunteering, financial inclusion, making a positive impact through products for disadvantaged groups, access to services for clients with disabilities, financial education	5	4
Supporting the development of Polish companies, innovation, digital and innovative solutions	5	4
Workforce issues - employment, compensation policies, employee training and development, and changes related to the COVID-19 pandemic	3	4
Anti-corruption and conflict of interest measures	5	5
Involvement of the highest authorities of the Bank in ESG issues, integration of ESG in all key processes	5	3
Business ethics and governance, risk management, audit and internal controls, transaction and information security, cyber security	4	3.5
Attention to development, diversity and equality of the workforce, inclusiveness, demographic change (ageing population), diversity, effective action against discrimination in employment	5	5
Pay gap, effective action against discrimination in employment	5	5
Support and respect for internationally accepted human rights, elimination of all human rights violations by the company, elimination of all forms of forced labour, abolition of child labour, code of conduct - no respect for any manifestation of bullying/harassment or sexual harassment	5	5
Trade unions, collective redundancies, respect for freedom of association and collective bargaining	5	5
Responsible selling, ethical approach to offer communication, no misselling, responsible marketing	3	5
Membership in ESG-related organizations	4	4

The changes with respect to the previous Statement relate primarily to its content layout - the structure of this Statement is based on the structure of the ESG Strategy that the Bank published in 2021. The 10 Principles of the Global Compact are also included - this document is also the *Communication on Progress* report.

[GRI 102-51 Date of most recent report](#)

[GRI 102-56 Policy and current practice for external verification of the report.](#)

The statement was not externally verified or audited. The previous Statement was published on February 25, 2021.

[GRI 102-53 Contact person for questions regarding the report](#)

Contact regarding the report:

Ewa Solarz, ESG Manager at Bank Pekao S.A.

ewa.solarz@pekao.com.pl

Iwona Hlebko-Zwierz, ESG Expert at Bank Pekao S.A.

iwona.hlebko-zwierz@pekao.com.pl

Table of compliance with the Accounting Act

ACCOUNTING ACT REQUIREMENTS REGARDING THE DISCLOSURE OF NON-FINANCIAL DATA	HAS THE REQUIREMENT OF THE ACT BEEN FULFILLED	REFERENCE IN THE BODY OF THE REPORT	PAGE NO.
A description of the entity's business model and key performance indicators	Yes	1.1. Bank Pekao S.A. and Pekao S.A. Group	131
Description of management of risks identified as significant	Yes	1.1. Bank Pekao S.A. and Pekao S.A. Group	134-136
Description of the entity's due diligence policies and performance indicators related to anti-corruption	Yes	1.6. The third pillar of ESG strategy: Governance	163-165
Description of the entity's policies, due diligence procedures, and performance indicators related to respect for human rights	Yes	1.6. The third pillar of ESG strategy: Governance	161-163; 164 173
Description of policies, due diligence procedures and performance indicators related to topics relevant to consumer/customer relations, quality	Yes	1.7. Bank as a market participant and service recipient	184-186
Description of the entity's policies, due diligence procedures and performance indicators related to employee issues	Yes	1.6. The third pillar of ESG strategy: Governance	166-182
A description of the entity's policies, due diligence procedures, and performance indicators related to environmental performance	Yes	1.4. The first pillar of the ESG Strategy: The natural environment	142-147
A description of the entity's policies, due diligence procedures, and performance indicators related to social issues	Yes	1.5. The second pillar of the ESG Strategy: Commitment	153-159

GRI Content Index
[102-55 GRI Content Index](#)
Profile indicators

Indicator number	Indicator name	Section	Subsection	Page
GRI 101	Basic information 2016			
	101 Basic information	1.1 Bank Pekao S.A. and Pekao S.A. Group.		
GRI 102	Profile indicators 2016			
Organization profile				
102-1	Organisation name	1.1 Bank Pekao S.A. and Pekao S.A. Group.		129
102-2	Description of the organisation's activities, main brands, products and/or services	1.1 Bank Pekao S.A. and Pekao S.A. Group.		129, 130
102-3	Location of the organisation's headquarters	1.1 Bank Pekao S.A. and Pekao S.A. Group.		129
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02.03.2022 Date	Leszek Skiba Name/Surname	President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.03.2022 Date	Jarosław Fuchs Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.03.2022 Date	Marcin Gadomski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.03.2022 Date	Jerzy Kwieciński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.03.2022 Date	Paweł Strączyński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.03.2022 Date	Błażej Szczeciński Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.03.2022 Date	Wojciech Werochowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.03.2022 Date	Piotr Zborowski Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature
02.03.2022 Date	Magdalena Zmitrowicz Name/Surname	Vice President of the Management Board Position/Function	The original Polish document is signed with a qualified electronic signature Signature