



**SUPERVISORY BOARD REPORT**  
**ASSESSING THE FUNCTIONING OF THE REMUNERATION POLICY IN EFFECT**  
**AT ALIOR BANK S.A. IN 2020**

This "Supervisory Board report assessing the functioning of the remuneration policy in effect at Alior Bank S.A. in 2020" has been drawn up pursuant to the requirements of:

- 1) § 23(2)(28) of the Articles of Association of the Bank, stipulating that, apart from other matters provided for in the Code of Commercial Companies or in the Articles of Association, the Supervisory Board shall in particular:

*"28) approve the remuneration policy developed by the Management Board and supervise its implementation and functioning."*

- 2) § 28(3) and (4) of the "Principles of Corporate Governance for Supervised Institutions" constituting an appendix to Resolution No. 218/2014 of the Polish Financial Supervision Authority of 22 July 2014, stipulating that:

*"3. The supervisory body shall draw up and submit, once a year, to the decision-making authority, a report assessing the functioning of the remuneration policy in place at the supervised institution.*

*4. The decision-making authority shall assess whether the remuneration policy in place fosters growth and promotes the security of operation of the supervised institution."*

- 3) 3) III item 1e) of the Alior Bank SA Remuneration Policy - supervision over compliance with the Remuneration Policy.

*"It shall be the responsibility of the Supervisory Board to oversee compliance with the Remuneration Policy."*

Alior Bank SA  
ul. Łopuszańska 38D  
02-232 Warszawa

Correspondence address:  
Alior Bank SA  
ul. Postępu 18B  
02-676 Warsaw

District Court for the Capital City of Warsaw in Warsaw,  
14<sup>th</sup> Commercial Division,  
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Identification Number): 1070010731,  
share capital: PLN 1,305,539,910 (paid up in full)



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## Remuneration policy in effect at Alior Bank S.A.

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The remuneration policy in effect at Alior Bank S.A. (hereinafter: the **Bank**) is made up of the following regulations:

- Remuneration Policy updated by Resolution No. 102/2020 of the Management Board of the Bank of 23 March 2020 and approved by Resolution No. 36/2020 of the Supervisory Board of 31 March 2020 (hereinafter: **Remuneration Policy**).
- Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board of Alior Bank S.A. introduced by Resolution No. 35/2020 of the Ordinary General Meeting of Shareholders of Alior Bank Spółka Akcyjna of 21 May 2020 (hereinafter: **Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board**),
- regulations comprising the remuneration system (Remuneration By-Law and other regulations pertaining to remuneration).

### Remuneration Policy

The Remuneration Policy aims to:

- promote correct and effective management of risks and discourage from taking risks exceeding the risk levels acceptable for the Bank, in order to maintain a solid equity base and having regard to the long-term interests of the Bank, its shareholders and customers,
- foster the implementation of the Bank's strategy for sustainable development and of its risk management policy,
- mitigate conflict of interest,
- maintain transparent relationships between results and remuneration of individuals, by focusing on goals linked to responsibilities and actual influence,

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- ensure that the Bank's staff act in the best interests of their customers, including provide them with clear and transparent information on services and products offered by the Bank.

The Remuneration Policy in place at the Bank constitutes a core document setting forth the Bank's policy and regulations pertaining to remuneration of the Bank's employees, taking into account remuneration principles applicable to those employees who, due to their specific role within the Bank's risk management system, have been subjected to a separate regulatory regime in this regard, i.e.:

- (a) persons having a significant impact on the risk profile, which persons are identified in accordance with Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (hereinafter: **MRT**),
- (b) heads of the internal audit unit, non-compliance risk management unit, organizational units responsible for risk management and human resources,
- (c) employees of the Regulatory Compliance Department and the Audit Department,
- (d) employees participating in offering or distributing banking, investment and insurance products and services, or employees of the Brokerage House indirectly involved in the provision of investment or ancillary services, including those involved in handling complaints.

The Remuneration Policy defines fixed and variable remuneration components in accordance with the EBA Guidelines on Sound Remuneration Policies referred to in Articles 74(3) and 75(2) of Directive 2013/36/EU, sets forth information disclosure principles in accordance with Article 450 of Regulation (EU) No 575/2013, and stresses the absence of a third category of remuneration. In accordance with the Remuneration Policy, fixed remuneration depends on the scope of in the specific employee's competence, on their professional experience and qualifications, is determined taking into account market practices, and constitutes a sufficiently significant portion of the total remuneration awarded to the employee to allow to implement a flexible policy pertaining to variable remuneration components, including by reducing or not awarding the variable remuneration component at all. Variable remuneration shall reflect balanced and risk-adjusted performance, as well as performance reaching beyond the scope of the employees' duties.

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## Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board

The Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board has been introduced in accordance with Article 90d(1) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, in order to properly and effectively manage the Bank's risk, capital and liquidity, and to prevent the taking of excessive risk exceeding the acceptable overall level of risk of the Bank approved by the Supervisory Board, as well as to implement the Bank's management strategy and risk management strategy, and to ensure special care for the long-term well-being of the Bank, of the shareholders' interest and of the well-being of the Bank's customers.

The Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board takes into account the principles of remuneration of members of management and supervisory bodies stemming from the provisions of the Act of 9 June 2016 on the principles of determining remuneration of persons managing certain companies.

The Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board governs the principles of remunerating the members of the Management Board and the Supervisory Board, whereas the Remuneration Policy shall also apply to the members of the Management Board. The Bank shall pay remuneration to members of the Management Board or the Supervisory Board only pursuant to the terms and conditions set forth in the aforementioned policies.

## Regulations comprising the remuneration system

The key principles of the remuneration system aim to ensure a market-competitive level of remuneration for the Bank's employees, as well as transparency, internal fairness and correctness of behaviors and results achieved, in compliance with the principles resulting from the Labor Code concerning equal treatment in employment, as well as the right to select and evaluate employees. Through the application of appropriate remuneration mechanisms, the Bank creates a working environment that embraces all forms of diversity and that supports individual potential. The mechanisms used allow to attract, retain and motivate highly qualified staff. The remuneration system serves as a factor enabling to build and protect the Bank's reputation and create lasting values for all stakeholders.

Detailed regulations concerning the remuneration system exist at the Bank, including the following: Remuneration By-Law and other related regulations that are implemented and updated in consultation with the employee representation.

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### **Roles in the process of creating and supervising the Remuneration Policy:**

Supervision over observance of the Remuneration Policy at Alior Bank S.A. is exercised by:

- the **General Meeting of Shareholders** which annually assesses whether the Remuneration Policy adopted fosters the Bank's growth and the security of its operations, as well as approves the Remuneration Policy Applicable to the Members of the Management Board and the Supervisory Board,
- the **Supervisory Board of the Bank** which approves the Remuneration Policy and its amendments, the Remuneration Policy Applicable to the Members of the Management Board and the Supervisory Board, and oversees compliance with the Remuneration Policy,
- the **Nomination and Remuneration Committee of the Supervisory Board of the Bank** which monitors the implementation of the Remuneration Policy and gives its opinion on issues concerning, inter alia, modifications resulting from external regulations,
- the **Management Board of the Bank** which draws up, implements and updates regulations comprising the Remuneration Policy,
- **control functions** which participate and cooperate in reviewing the Remuneration Policy of Alior Bank SA, in order to, inter alia, ensure its consistency with the risk strategy and the risk management framework, including, in particular, the Audit Department, the Regulatory Compliance Department and the Legal Department.

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## Assessment of the functioning of the Remuneration Policy in effect at Alior Bank S.A.

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1. The remuneration policy in effect at the Bank is consistent with the strategy, values and risk appetite of the Bank, and fosters the long-term interests of the Bank and its customers. The Policy promotes and supports the process of effective risk management in order to maintain and protect the Bank's secure capital base.
2. The remuneration policy effectively minimizes excessive risk taking beyond the Bank's risk inclination accepted by the Supervisory Board.
3. The remuneration policy is based on performance management, combining the individual objectives of employees with a long-term business strategy and ensuring sustainable growth.
4. The objectives of the Policy did not change significantly in 2020, compared to the preceding year. The Bank continued its current practice that aimed at effectively supporting the strategic objectives and at adjusting the remuneration standards to the level prevailing on the market.
5. The Bank performed an analysis connected to the position of the Office of the Polish Financial Supervision Authority on variable remuneration components in banks and insurance companies of 17 April 2020, and then, taking into account the financial results achieved in 2020, the Bank adopted a conservative approach to the payment of variable remuneration components.
6. In 2020, 9 meetings of the Nomination and Remuneration Committee of the Supervisory Board of the Bank (hereinafter: the **Committee**) were held.
7. In 2020, in connection with the amendment of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, the Bank implemented the Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board.
8. In implementing the provisions of the Remuneration Policy Applicable to Members of the Management Board and the Supervisory Board, the Supervisory Board adopted the Report on Remuneration of the Members of the Management Board and the Supervisory Board of Alior Bank SA for the years 2019 – 2020.

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9. The Committee issued a favorable opinion on the classification of MRT positions.
10. The Committee gave its opinion on the objectives of the Management Board and on the MRT targets for 2020. The Supervisory Board approved the objectives of the Management Board. Variable remuneration components of the members of the Management Board and key managers depends on their achievement of individually defined objectives that are linked to the Bank's strategy. These objectives are defined based on quantitative and qualitative criteria and motivate to work and behave in a manner enabling the Bank to achieve its goals.
11. The Committee gave its opinion on the decisions relating to MRT variable remuneration.
12. The Supervisory Board verified the fulfillment of the criteria and conditions justifying the acquisition of variable remuneration components by the Management Board and by the heads of the internal audit unit and the compliance risk management unit.
13. Pursuant to § 29 of the Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system, internal control system, remuneration policy and detailed methods for estimating internal capitals at banks, the Audit Department of Alior Bank SA conducted the annual, independent review of the implementation of the Remuneration Policy. The Bank was implementing the Remuneration Policy-related recommendations it was receiving from the Audit Department, the Regulatory Compliance Department and from the Polish Financial Supervision Authority.
14. The Bank meets its Remuneration Policy-related reporting obligations in a manner that is consistent with the applicable laws, transparent and proportionate.
15. In 2020, the Bank provided information, held consultations and reached arrangements, as required under applicable laws, with trade unions operating at the Bank. Provisions of the Remuneration Regulations have not been amended during the reporting period. Negotiations concerning the wording of the Company Collective Labor Agreement (intended to replace the provisions of the Remuneration By-Law and to introduce 3 bonus by-laws) have not been finalized yet.

The Supervisory Board is of the opinion that the remuneration policy in effect in 2020 was implemented at the Bank in accordance with the applicable internal and external regulations. The remuneration policy was consistent with the provisions of generally applicable law and was consistent with the principles of ethical conduct and with the values of the Bank. The Management Board of the Bank was striving to ensure that the remuneration policy reflects the business strategy adopted. The Supervisory Board is of the opinion that the activities taken in this area in 2020 aimed at ensuring long-term value growth of value for the shareholders

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and stability of the Bank's operation and were consistent with the provisions and objectives of the Bank's internal regulations. The Bank's growth and security were ensured through the application of remuneration systems that pursue objectives which are consistent with the interests of customers, shareholders and employees.

The Supervisory Board positively assessed the functioning of the Remuneration Policy in 2020.

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